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*** NATO Inspectors Take Training Course in CR**

93CH0727F Prague A REPORT in Czech 1 Jun 93 p 9

[Article by (mzi): "Twenty-Two Who Are Satisfied—NATO Inspectors Were Undergoing Training in Our Republic"]

[Text] It is said that you should trust but verify. That should be true in all walks of life, including the military, particularly in recent times, when the arms-limitation treaty is being realized in Europe. The rules are given, and every country is preparing its inspector for verification. That is true for both the Czech Republic [CR] and the member countries of the North Atlantic Alliance, and recently an interesting operation took place in our territory. On the basis of an agreement between the ACR [Army of the Czech Republic] and NATO, inspectors from the North Atlantic Alliance were undergoing training in our country.

Twenty-two of them arrived from virtually all of the NATO member countries, except for Greece and Portugal. "I believe that our guests can be satisfied," we were told by the chief inspector of our Office for Disarmament Control, Lieutenant Colonel P. Bares. "Participants in the course had the opportunity of familiarizing themselves with all equipment in the hands of our tank forces, our motorized infantry components, and our aviators. Some of them even test-drove a T-72 tank."

We would like to assure our readers that the lieutenant colonel was not exaggerating. Satisfaction with the course was confirmed for us by its participants, as well. Thorough familiarity with equipment, however, was not their sole mission. For example, the representative of the United States told us that he also very carefully examined our experiences involving the liquidation of surplus combat equipment, specifically tanks, at Novy Jicin.

We had the opportunity of spending an entire day with the inspectors, specifically at the Kbely Air Force Base, where they practice aerial observation. The remaining time was spent by the guests at the Military Aviation Museum. "We did not have too much time to see your country," Colonel Michael D. Miggins, of the United States, was heard to say. "But individual sessions were held at various places in the Czech Republic, and so we saw some of your country at least while we were on the road. Without exaggeration, it is very beautiful. I know that sounds like nothing but praise, but it is definitely not only for reasons of courtesy. It is simply a statement of fact."

Nevertheless, we succeeded in "prying" at least one negative statement from the colonel. He told us with a smile that he had never before encountered such good food, served in such great quantities. And Colonel Yaromir B. Koropeccky, a Canadian, who had once served aboard a submarine, enthusiastically agreed with his colleague.

*** Leftist Representative Views Military**

93CH0727E Prague A REPORT in Czech 1 Jun 93 p 8

[Interview with Miroslav Capek, a member of the Left bloc and of the Parliamentary Defense and Security Committee, by Frantisek Mozis; place and date not given: "From One Extreme to the Other?"]

[Text] I recently heard the criticism that we provide room in our newspaper only to delegates from the ODS [Civic Democratic Party] and are allegedly warming our soup bowl that way. Although that was not a widespread opinion, it was not an isolated one. The involved would-be readers of A REPORT clearly overlooked the fact that we address representatives of all parliamentary parties. That was the case during the existence of the Federal Assembly, and that is the case now, when our highest legislative organ is the Czech Assembly. The representative of the CSSD [Czechoslovak Social Democracy] has already come forward with his views; now we have spoken with Delegate Miroslav Capek of the Left bloc, a member of the Parliamentary Defense and Security Committee.

[Mozis] Mr. Delegate, how do you feel the Army of the Czech Republic [CR] should look?

[Capek] It should not be a very large army; it should reflect the size of the population. It should not be an assault army but should be strictly defensive in character. However, primarily, it should be an army that is professional, that is augmented by supporting reserve training, as is done in Switzerland, for example. Its financing should also reflect that. An actual professional must be appropriately paid, of course.

[Mozis] In looking at the defense problem, on which points are you in agreement with the coalition, and on which points do you differ?

[Capek] I believe it is precisely on the points I mentioned that I am in agreement with the colleagues who are the coalition delegates. But I look differently at our connection with transatlantic structures. In that case, the government coalition is giving preference to our attachment to NATO. But we know very well how we were criticized for having our Army be part of the Warsaw Pact Treaty. Why, then, would we now strive to exchange membership in one military alliance for membership in another? It will not be simple. It has to do with rearming and, thus, with increased financial demands placed upon the Army. I believe that the weapon systems that are currently in our Army cannot be accepted by the North Atlantic Alliance.

[Mozis] How, then, do you visualize securing the defense of our state?

[Capek] If this is a matter of my own private opinion rather than the view expressing the position of one or another political party, I would prefer neutrality exactly as has our near neighbor, Austria. I repeat, that is my personal view, and I do not now want to examine the question of whether our full membership in NATO

would be ideal for securing the defense of our country or whether only treaties with member countries regarding defense or protection for the CR would suffice.

[Mozis] What do you see as the greatest problem facing our current Army?

[Capek] I believe that, at present, there is much pilfering of Army property. That also has to do with the fact that it is now possible for soldiers in the basic service to serve near their domiciles, and that seduces a number of them to organize criminal activities, whether it involves the pilfering of automotive fuels or equipment, provisions, and so forth. But I do not want to blame everything on soldiers in the basic service. Similar words also apply to career soldiers. At the same time, I do not wish to claim that all soldiers engage in pilfering Army materiel, but I have the impression that even the high command of the Army of the CR has had similar experiences. And, last but not least, we must include here even losses as a consequence of reorganization and dislocation. The problem, of course, again involves interpersonal relationships.

[Mozis] Do you believe that a method exists by which one could deal with abusive hazing?

[Capek] When I was in the military, I did not encounter that problem frequently. In my civilian profession, I happen to be a criminal judge. But I encountered the actual substance of the criminal act of extortion even at training centers. I do not know if there is a universal recipe to cure that problem. It is difficult for me to now examine the question of prevention in its complexity. Here, the family and, understandably, the school must play their roles. On an across-the-board basis and, from my professional viewpoint, each similar case should be followed by punishment. While I was in the Army, I cooperated with the military circuit prosecutor in view of my profession, and, at that time, there was the tendency to solve similar cases by the disciplinary method so that the unit might not receive a poor evaluation, irrespective of the fact that, in previous times, a number of officers were happy in a so-called mollycod-dled military. Today, that situation is turning around, but even that has its pitfalls. Solutions are being found at any cost, and many a soldier in the basic service virtually invents the accusation that he has been harassed by a professional soldier. And the psyches of officers are definitely not benefited by believing that the basic service soldier is always right on the face of it. Briefly, we now have the other extreme.

[Mozis] Is there a parliamentary commission to investigate operations Vlna, Norbert, and Zasah. Do you believe it is justified?

[Capek] I am a member of that commission, and I believe that I betray no secrets by telling you that, in addition to those three tasks, the commission should be dealing with such cases as Operation Krkonose. And there, components other than merely the Army were involved. Furthermore, I believe that we should not

examine the past only but should also check on cases that occurred after November 1989, for example. I have in mind specifically the investigation of events having to do with Operation Mosnov.

[Mozis] What kind of a soldier was the current Delegate Capek?

[Capek] As I have already indicated, I was in the military as an officer candidate, after graduating from the University Military Department. I also acquired several military occupational specialties. I even commanded a tank company. In the end, via the company office, I became an investigator. In other words, I got to my profession in my own way. But only as a matter of interest. In the reserves, I am listed as chairman of the Military Field Court.

* Chief of Personnel on Military Evaluations

93CH0727D Prague A REPORT in Czech 1 Jun 93 p 5

[Interview with Eng. Frantisek Greiner, chief of the Personnel Administration of the Ministry of Defense of the Czech Republic, by Vlastimil Stana; place and date not given: "Without a Template and With Fairness"]

[Text] *The chief of the Personnel Administration of the Ministry of Defense of the Czech Republic [CR], Eng. Frantisek Greiner, responds to reader questions having to do with the coming extraordinary evaluations.*

In units and formations, people were familiarized this past week with the order issued by the minister of defense of the CR on extraordinary evaluations of career soldiers in the Army of the CR. Immediately thereafter, we noted a number of questions having to do with that undoubtedly serious document. We turned with some of them to the chief of the Personnel Administration of the Ministry of Defense. It must be noted that we received our answers immediately.

[Stana] Which groups of employees of the ministry and the General Staff participated in preparing the order?

[Greiner] Because it involves the evaluation of people, the preparation and processing of the order fell to the jurisdiction of the Personnel Administration. Nothing is quite so singularly specialized as it might appear at first glance. That is why that fundamental document was also worked on by specialists from other directorates to assure its high quality, its specialization, and its comprehensiveness. One of the most important roles was obviously played by the legislative directorate.

[Stana] Will there be a listing of antidemocratic measures, which are mentioned in the order, or will it only depend on making judgments in that area on the individual commissions that are involved?

[Greiner] I believe that such efforts to "inventory" would not contribute to improving the quality of the order. We reject any kind of template in that regard. I am convinced that the evaluators will need no explanation

regarding what is and what is not antidemocratic conduct. In no event is it sufficient to identify the well-known operations Vlna, Zasah, and Norbert. After all, antidemocratic conduct can be individualized and can crop up in the individual relationship between one individual and another. As a general rule, that is a matter of the characteristics of a specific individual. But I do understand such tendencies. I am aware of efforts by some people to consult with me. Unfortunately, in the majority of cases, it involves efforts to shift responsibility to others such as the use of such phrases as "you know, if it were up to me, but the personnel jockey said..." so that the template as well as shelters are truly being looked for. But I reemphasize that nothing like that will be used. Each individual must be judged in a comprehensive manner, with maximum fairness and honor. The Army must retain those people who belong here. In short, we must come to terms with this. That is why I believe it is good that a three-member commission will do the evaluating. There should be correctness, consideration, and consensus among its members. It is not a matter of everyone being able to hide behind a collective evaluation but a question of more common sense, more fairness. I will cite one example, a case like Operation Zasah. There is constant talk of those down below who were assembled in the courtyard, but someone had to write those directives! Where are those people? Where did everything begin? That is why evaluating such matters must be done with common sense. Strictly, but fairly.

[Stana] Could you characterize the concept of "trustworthiness of the evaluatee"?

[Greiner] I shall tell you in a soldierly manner—people must accept you. If someone is to lead someone, people must believe him, they must take to him. If the opposite is the case, that individual is untrustworthy. That is one aspect of the problem. The lack of trustworthiness can have a number of causes—the individual is unsympathetic, he gets drunk, he is lazy.... I am not afraid to say that it is frequently a matter of the kind of reputation that is spread about an officer, and it is deeply untrue. For example, there can be no cheap rejection of a demanding officer, and so forth. I admit that that is a deceptive matter, but it can be judged.

[Stana] What influence will the state of health play in terms of the results of the evaluation and possibly remaining in the Army. I have in mind a classification that is different from "A."

[Greiner] Anyone who is unfit cannot be employed by us. Let us tell each other openly that a reason for dismissal could even be the fact that application with the Army cannot be found for a soldier with diminished capabilities, if those capabilities were diminished for health reasons. Even there, consistent individual judgment must be applied to each individual, as must be the case involving the entire operation of extraordinary evaluations. In that direction, the evaluator should cooperate with a physician. A special chapter is likely to involve

those who, while they are healthy, get sick quite frequently. It is not possible that soldiers exist who become sick before every training exercise.

[Stana] Will the evaluations take into account the results of the retesting of physical fitness?

[Greiner] Yes, an account will have to be taken. That question must be seen in the long term. The minister of defense did issue instructions indicating that a satisfactory and unsatisfactory evaluation during this year's retesting would not be reason in 1993 for the implementation of personnel measures.

[Stana] Where can I appeal the results of the extraordinary evaluations?

[Greiner] Everyone has the right to appeal to the directly superior chairman of the evaluation commission.

[Stana] Will it be possible to raise the objection of partiality in the case of a member of the commission?

[Greiner] Certainly. But not until the appeal of which we spoke earlier. But I do not wish to guarantee that a person will find out the complete composition of the commission in sufficient time. In each case, the commission will include the individual's direct superior—as stipulated by law. Perhaps everyone will even find out who the chairman of the commission will be. However, the third member of the commission can be ascertained, for example, only at the location at which the evaluation is taking place. That is why it is necessary to wait until the appeal.

[Stana] How many commissions will be functioning in the Army? Will someone be training them for this work, and, if so, who and where?

[Greiner] There will be essentially as many commissions as there are commanders and chiefs with appointment jurisdictions—but it is not possible to state so precisely. At the level of the principal Army officials, an explanation was provided by the first deputy minister of defense. That was followed by training sessions at individual command levels and continued to individual ranks. We believe that that is sufficient to allow the order to be uniformly perceived and applied. The commissions will be staffed by people who have already undergone evaluations and were found to be satisfactory.

[Stana] What will happen to those officers who graduated from the former military political academy? Even among them there are real specialists.

[Greiner] We do not deny that a number of specialists are included. But a person who spent all of his life working in, for example, the party-political area, even though that might have been against an Army background, would have no place in the Army. But that would surely not be because he graduated from the above-mentioned school. I reemphasize here that everyone will be judged individually and with an eye to whether his capabilities are utilizable in the Army. No

templates exist here; there is nothing like, say, "all those who...." That will not be asserted in the course of the evaluations.

[Stana] Before the evaluation, do I have a right to see my personnel file?

[Greiner] Yes. But everyone must adhere to certain rules, such as, for example, that nothing be removed from the file, nothing be altered, and so forth. But one can, for example, make extracts on the spot, study the material, read it, and so forth.

[Stana] May I request a written entry regarding the valuation?

[Greiner] No, the law does not entitle anyone to something like that.

We shall return to responses made by the chief of the Personnel Administration of the Ministry of Defense of the CR to your questions in the next issue of A REPORT.

*** Officers Resigning Before New Evaluations Made**

93CH0727B Prague ZEMEDELSE NOVINY in Czech 5 Jun 93 p 2

[Article by (zz): "The Army Is Examining Itself—Hundreds of Officers Have Elected To Retire Before the Extraordinary Evaluations"]

[Text] Prague (zz)—According to Minister Baudys, physical fitness tests are not discriminatory; statistics indicate that higher-ranking officers in the Czech Army will clearly be hanging on to a lesser degree. Currently, the Czech Republic Army is conducting physical fitness tests of its career soldiers, tests that were initiated on 1 May and will continue through the end of September. Minister of Defense A. Baudys, in speaking to ZEMEDELSE NOVINY, rejected rumors that that was discrimination against older officers in connection with the new concept of the Army, which figures on the gradual reduction in its numbers by 8,000-10,000 career soldiers.

As he noted, that is a regular type of testing, which occurs in all armies. "Officers who are older than 51 need not do push-ups or sit-ups and can choose to perform a 12-minute run and swim a distance of 300 meters in any style," added A. Baudys.

Responding to a question as to how the evaluations are going, evaluations intended to vet the files of officers and check on their conduct and actions, J. Pospisil, Baudys's first deputy, stated that he knows nothing about verifications but, rather, knows of the extraordinary evaluations that began on 1 June at the Ministry of Defense and will spread to incorporate all professional soldiers, with the exception of the warrant officer corps. The ministry

will not be publishing the names of those who have been evaluated as "unsatisfactory for performing the job" or who are yet to be so evaluated, or the names of those who have been rated "unsatisfactory." Deputy Pospisil nevertheless noted that "a number of officers requested to be allowed to retire before the extraordinary evaluations began."

According to his information, from January through May of this year, some 1,447 officers were released—15.2 percent of that number involved officers who worked at the ministry and in the General Staff, 30.3 percent were officers at lower levels of command (divisions), and 54.5 percent were officers serving in military units ranging from company to brigade. The remainder were professional soldiers serving at schools, in civil defense, in the military railroad components, and so forth. In view of the overall number of officers at individual levels, company and brigade units lost 3.4 percent of their officers, and higher command levels (including the ministry and the General Staff) lost 14.8 percent of their officers. "During the last month before the extraordinary evaluations—in other words, in the month of May—455 officers left our Army," added J. Pospisil.

The extraordinary evaluation of officials at the Ministry of Defense and in the General Staff of the Army of the Czech Republic, who are subject to appointment by the minister of defense, will be concluded by 25 June; evaluations of the remaining ministry officials will be concluded by 10 September 1993.

*** Officer Corps To Be Reduced by One-Third**

93CH0727A Prague ZEMEDELSE NOVINY in Czech 16 Jun 93 p 4

[Interview with Jiri Pospisil, Czech Republic first deputy minister of defense, by Pavel Stastka; place and date not given: "A Realist With a Blue-Colored Paybook"]

[Text] Jiri Pospisil, whom we asked for an interview, is the first deputy minister of defense. He comes from Brno, lives in Ceske Budejovice, and was originally a clinical psychologist. He is 44 years old.

[Stastka] At the end of 1992, you were being spoken of as the outstanding deputy federal minister of defense, who would very likely become minister of defense of the Czech Republic. However, the coalition negotiations came out in favor of A. Baudys. Were you not sorry?

[Pospisil] No, I was not sorry; I had figured everything beforehand. A person must be a realist in politics. When we insisted on having the Ministry of Interior for the ODS [Civic Democratic Party], it was clear that our coalition partner would not permit us to occupy both of the "armed ministries."

[Stastka] How is A. Baudys as your superior?

[Pospisil] He is a good minister.

[Stastka] Actually, what is expected of a first deputy minister? A great deal of compliance with the wishes of the minister?

[Pospisil] Baudys is not one of those who is inclined toward boot-licking or something like that, and I, in turn, am not one of those who would engage in that. Other than that, the relationship between superior and subordinate is clear.

[Stastka] So let us turn it around. Doesn't the first deputy minister from the ODS have a party assignment to check on the minister who is from the KDU-CSL [Christian and Democratic Union—Czechoslovak People's Party]?

[Pospisil] No, it is strictly a matter of cooperation within the coalition.

[Stastka] OK, then, but, nevertheless, didn't you praise Baudys a little while ago simply because you are his subordinate?

[Pospisil] I really think he is one of the good ministers. We worked together back at the federal level. When Minister Andrejcek was proposing that the Army be a Czech-Slovak co-owned army, Baudys had a considerable amount to do with the fact that that quite ludicrous proposal did not pass.

[Stastka] By the way, is the person who divided the Army and is today conducting the extraordinary evaluations of generals and colonels at the Ministry of Defense a soldier?

[Pospisil] I am not a soldier; I have a blue-colored paybook. But I do not believe that that is an obstacle. Of course, at least one of the deputy ministers must be a soldier so that he can be the chief of the General Staff at the same time.

[Stastka] You are not a pacifist?

[Pospisil] No. My father was an officer until 1958, and so I actually come from a military family.

[Stastka] But do you understand those who reject performing basic military service for pacifist reasons, for religious reasons, or for any other reasons?

[Pospisil] I do understand them. It is a matter of one's conviction, and it is definitely not necessary to induct entire age groups into the military. But what I do not understand is the method by which the Ministry of Labor and Social Affairs supports the replacement of civilian service. If I think about it correctly, the law speaks of this service being performed "under otherwise equal conditions." That means that those who have refused basic military service should serve somewhere where they are concentrated. They should receive something like a uniform—much as is the case, for example, in Austria—and should seriously work to benefit society. I am not certain whether the current way in which the law is being implemented does not make it possible to evade military service.

[Stastka] Is the defense department preparing a proposal to amend that law?

[Pospisil] We shall wait until after the elections to the Senate.

[Stastka] Let us pause at least briefly and consider the extraordinary evaluations within the Army. In the event the commission designates someone as unsuitable or possibly unsuitable for a given job, are you not afraid that there will be a spate of litigation actions to protect personalities?

[Pospisil] Everything is possible. For the time being, however, everything is proceeding with decency, with correctness, and I believe that it is even absolutely fair. Moreover, anyone can retire, and then the extraordinary evaluations would not apply to him. Is that not a gentlemanly opportunity?

[Stastka] Decently, correctly, fairly. Are those words also applicable to the radical downsizing involving the number of career soldiers that the Army is expecting?

[Pospisil] Every soldier knows that, by 1996, some 35 percent of the officers will depart. It is clear that all of those in whom the Army is not interested must leave. Yes, some decent and effective officers, for whom there will be no jobs, will also leave. That is the situation. When the Army in Belgium is downsized, fully 50 percent of the officers will lose their jobs. Unfortunately, there is no other way.

* Army Hazing Incidents Remain at High Levels

93CH0727C Prague A REPORT in Czech 1 Jun 93 p 3

[Article by Vlastimil Stana: "The Horror Known as Hazing—It Would Appear That the Uncovered Cases Are Merely the Tip of the Iceberg"]

[Text] *Two noncommissioned officers from Lina were forcibly injecting distilled water into soldiers present at the local first-aid station, but the corporal was not satisfied with even such bestiality. That is why he forced one of the soldiers to make a noose out of bandage material and place it around his own neck. The hapless individual was then forced to stand on the edge of the bed. The fine corporal then tied the end of the bandage to a heating pipe running along the ceiling. When the damaged soldier lost his balance, he began to choke.*

That was only one of nearly 200 shocking cases of hazing that the military police recorded last year. However, it is expected that the number of cases of hazing, which are criminal acts involving the violation of rights and the protection of interests of soldiers according to Paragraphs 279a and 279b of the Criminal Code, is much greater.

It would be an error to believe that hazings are an offensive action typical of only the Army. Statistics clearly show that it is a problem throughout society. Unfortunately, in view of the character of that negative

manifestation, and given the possibilities for discovering perpetrators, it is necessary to figure on a relatively significant amount of "secrecy" in that criminal activity—and even on the part of the victims themselves.

As is evident from the archives of the military police, last year a new characteristic of that type of criminal activity was observed in virtually one-half of the cases. Several perpetrators participated in a number of hazings. More than 60 percent of those cases ended up before the military prosecutor, and the offenders were appropriately punished. The fact that, with the exception of one warrant officer, the remaining perpetrators were soldiers of the basic service is not without interest. Almost 100 percent of them were older than the victims. Almost one-third of the cases of hazing were committed under the influence of alcohol.

Among the typical "Army" forms of hazing are demands for the performance of the most varied services and the provision of "refreshments" at the expense of the victim. But the military police have also recorded the extortion of various amounts of money. What is really sad is the finding that every fourth case is connected with the physical assault of victims. In those cases, also, alcohol played a role.

Ninety percent of the hazing cases occurred during personal off-duty time; one-half occurred on Saturdays and Sundays. The time between 2000 hours and 2400 hours can be considered to be critical. The most frequent location where violations of the law occur is the enlisted men's dormitory and other quarters occupied by the unit. Only 5 percent of the cases of hazing took place outside of the unit.

The most frequent consequence of hazing is said to be a detriment to morale, but material aspects are gradually growing in number and seriousness. A characteristic manifestation is also a combination of consequences.

Virtually one-third of the cases were uncovered by the military police themselves, and 40 percent were reported by troop commanders. Unfortunately, the victims themselves came forward in only 20 percent of the cases. Still fewer cases were reported by relatives of the soldiers.

The fact that hazing continues to be a threat is attested to by data covering the first quarter of this year. Compared to the same period of 1992, the increase in those criminal activities amounts to more than 80 percent. Even though the military police are well aware of their reserves in the fight against those criminal activities and perpetrators, mostly in the area of prevention, the entire matter would surely benefit from a change in the standing of military police organs, of strengthening them, and of improving the conditions for actual police investigative activities.

* Klaus Steering Nation Firmly Toward EC

93CH0748B Duesseldorf *HANDELSBLATT* in German
24 Jun 93 p 25

[Article by Markus Ziener, Prague: "Prime Minister Vaclav Klaus Is Steering His Country Unerringly in the Direction of the European Community"]

[Text] To the news agencies, the report of several weeks ago was only worth a few lines, but its content actually made it clear how very much the situation in the Czech Republic [CR] had normalized some three and a half years after the velvet revolution and six months after the breakup of the state: The spokesman for the Prague National Bank stated that the country intended to forego making the second draw of a credit of 200 million German marks [DM] offered by the International Monetary Fund. Foreign exchange reserves of \$4.8 billion in the overall banking system were said to have stabilized the foreign exchange situation and an additional loan was thus no longer necessary.

As recently as February, things looked completely different. A short time after the breakup of the former Czechoslovakia into two independent and sovereign states, the supplies of foreign exchange had decreased drastically in view of a soon-to-be-accomplished currency separation. And yet in the past four months, \$1.7 billion could already be accumulated anew. This is an additional indicator of the fact that confidence in development in the Czech Republic has again increased following the tensions caused by the division.

A Positive Balance of Trade

Undoubtedly, the positive balance of trade of 6 billion korunas [Kcs] (approximately DM333 million) was a contributory factor which signaled a turnaround in the trend. As recently as last year, Prague had to eat a deficit of Kcs23 billion (approximately DM1.28 billion). With these results in back of him, it was possible for Czech Prime Minister Vaclav Klaus to make a full-bodied promise on the occasion of receiving the 1993 Ludwig Erhard Prize that the Prague budget "will always be in balance." Klaus, who likes to consider himself an exemplary student in the succession of German economists, thus intends to spend only as much as his country can afford. The fact that this attitude has provided him not only with friends, at least in his own land, is self-evident.

Outwardly, the Czech Republic under the leadership of Klaus, who as chairman of the Civic Democratic Party (ODS) is also simultaneously head of the strongest party in the country, actually presents the picture of a nation that wants to adapt to Western standards quickly and without overly great shocks. The breakup of the CSFR substantially slowed down the train traveling to Europe. Today there are new and separate European agreements ready in terms of content between Brussels as well as Prague and Bratislava and only awaiting ratification. Self-consciously, Klaus said the following regarding this situation: "The Czech Government will be ready to join

the European Community before the European Community is ready for the Czech Republic."

At the same time, the prime minister repeatedly expressed his disinclination with regard to alliances and cooperative arrangements in East Europe. The Czech Republic is thus showing little interest in actively enlivening the Visegrad alliance, which was lifted in 1991 out of the Hungarian baptismal font of the same name. Although the republic is participating in the Central European Free Trade Agreement (CEFTA), which was established jointly with the other Visegrad countries of Poland, Slovakia, and Hungary toward the end of last year, Klaus has let it be understood several times already that, in his view, such cooperation arrangements would tend to delay the entry of the Czech Republic into the circle of full European Community members, rather than accelerating it. This is because, as early as two to three years from now, the prime minister sees his republic being a "normal European country in every respect." The prime minister has no intention of sitting in the same boat with the other reform countries, whose economic presentations show more problem areas.

At least at first glance, the overall data would tend to support him in this: Despite the confusion regarding the separation of the federation, the inflation rate for 1992 was just 11 percent and, for the current year, there is hope that the target for inflation, which is set at 16 percent, can be fulfilled—the increase is primarily due to the introduction of the value-added tax at the beginning of this year.

Growing Protectionism in West Europe

The koruna rate of exchange remained nominally unchanged over the past 30 months; the unemployment rate amounts to not even 3 percent. In actual fact, businessmen are already desperately seeking manpower and are stealing employees from each other with lucrative offers. This has already resulted in suspicions among Czech economics experts that this could lead to a far too rapid increase in wages. Although the agreement between the trade unions and the government and businessmen, which was signed in 1993 and which calls for not letting wages rise more than a maximum of 5 percent over the level of the inflation rate, has thus far not been violated, there is nevertheless a feeling that the critical limit has been reached. Therefore, discussions are focusing on imposing higher payments on wage increases above a certain limit, an instrument which the Poles had used for a long time as a brake on inflation and which has only recently, as a result of pressure by the trade unions, been "neutralized."

One of the causes for these developments, despite large-scale coupon privatization, is to be seen in the fact that most of the enterprises are still not being operated in accordance with private economy principles and are, for the most part, keeping their heads above water with credits. It is only during the course of this year with the consequences of the bankruptcy law being felt, on the

basis of which creditors can haul insolvent enterprises before the bankruptcy judge, and as a result of the control exercised by private coupon holders and the investment funds, that the enterprises will actually be released into the harsh climate of the market economy. How much the Czech economy has, thus, actually gained in stability is yet to be seen.

The consequences of the division of the country are also not yet clear. In the first quarter, gross production declined by 4.5 percent in comparison with 1992. In terms of trade with Slovakia alone, it decreased by 30 to 40 percent since January, a situation which tends to bring the originally announced 2-percent growth forecasts more toward zero. Despite the positive results in trade with countries with convertible currencies—a \$100-million surplus in the first quarter of 1993—the Czech Republic is increasingly beset by protectionist efforts in West Europe. A few weeks ago in Frankfurt, the president of the Czech Bank of Issue, Josef Tosovsky, identified the restrictions in the area of steel and textiles, as well as the European Community embargo against the export of livestock, which, following a case of foot-and-mouth disease in Italy, was imposed upon all countries of the former Eastern bloc. Furthermore, Austria had restricted imports of cement and tractors. Germany is playing a central role in this for Prague: 33 percent of total Czech exports are destined for the Federal Republic; as an importer, Germany ranks second after the United States with 26 percent of total volume.

* Israel Shows Interest in Developing Trade With CR

93CH0739B Prague HOSPODARSKE NOVINY in
Czech 3 Jun 93 p 8

[Article by Pavel Janda, of Agrobank, Inc., Prague: "Israel's Interest in Concrete Collaboration"]

[Text] As an economically developed country, Israel presents many opportunities for both our export trade and our imports. A basic question, however, is the amount of information available to both sides regarding development in both countries.

On the occasion of the recent visit of representatives of the Agrobank Corporation to banks in Israel—for example, the Hapoalim Bank and the Leumi Bank—there was confirmation of the bilateral interest in establishing contacts, and specific projects for possible cooperation were discussed. It was confirmed that the Czech Republic [CR] has a good reputation as a partner throughout the world. A more complicated question involves a certain lack of clarity on the part of Israeli business entities regarding the political-economic situation in the Slovak Republic, with respect to which there is a certain cautious approach, characterized by waiting for additional political-economic steps to be taken by the Slovak Government. This situation very likely also reflects a certain degree of caution on the part of the Israelis regarding the unclear manner in which the new

Slovak state is distancing itself from the anti-Semitic policies of the Slovak state that existed during World War II.

Israeli business circles showed the greatest amount of interest in establishing cooperation in the area of agricultural equipment, particularly in terms of irrigation systems, which are highly developed in Israel; they showed an interest in special machinery for agricultural primary production and the export of tropical and sub-tropical fruit. Other areas in which possibilities for cooperation are developing include the area of precious metals and gemstones and the area of special high-tech imports and exports in such branches as health care and telecommunications.

A very positive finding was the interest the Israeli state showed in expanding mutual trade, as well as specific support by the Israeli Embassy in Prague and the Czech Embassy in Israel. In my opinion, the activities of those embassies in developing commercial relationships among businessmen of both countries will constitute a specifically accelerating moment.

It is obvious that an honest bilateral interest exists in establishing normal commercial relationships that will be based on the equality of standing enjoyed by both partners in utilizing the current instruments used in payment contacts and in adhering to generally valid rules for international trade.

* Slow Progress in Capital Buildup Noted

93CH0748C Duesseldorf *HANDELSBLATT* in German
24 Jun 93 p 30

[Article by Klaus C. Engelen: "The Czechs Are Making Only Very Slow Progress in Building Up the Capital Market"]

[Text] Most of the leading German banks have begun doing regular business in the Czech Republic through their own daughter corporations and branches. Only the largest financial institution, the Deutsche Bank, took a lot of time to do so. And yet, preparations are under way at that institution, which is represented by a sales agency, to soon show the flag in an operational manner along the Vltava River. One thing is noteworthy regarding the commitment of the German credit economy along the Vltava River: When it comes to investment banking, which is dominated by the Anglo-Saxons and by the Austrians, German competition continues to be conspicuous by its absence.

These days, anyone who keeps his eyes and ears open among the foreign bankers in Prague encounters restrained confidence, accompanied by occasional outbursts of frustration with regard to the slow pace of the Czech democracy and considerable amounts of misunderstanding regarding the "sluggish and relatively chaotic development of a stock market system." The confidence on the part of the bankers is backed up by their conviction "that the Czechs will become masters of their

own economic miracle in the next few years and that, in so doing, their inclination toward conservative fiscal management will become manifest, as was the case before World War II."

This reference by an unidentified in-country Austrian banker is connected with a sideswipe at the Poles and Hungarians "who will remain handicapped in establishing a functioning banking and capital market system for the foreseeable future as a result of bank failures and high external indebtedness." Particularly good marks are given to the director of the Prague Bank of Issue, Josef Tosovsky, "because he has understood how to regain control over the turbulences which were brought about by the currency separation quite rapidly."

In all appreciation of the fiscal conservative market economist and prime minister, Klaus, the majority of the foreign bankers who were questioned are convinced that "the former economics professor from the monetarist school does not have any antenna for the requirements of a modern banking and capital market system." That is why those individuals, like Josef Tosovsky, director of the Bank of Issue, Ivan Kocernik, finance minister, and Vladimir Dlouhy, industry and trade minister, who are pressing for the speedy development of a modern banking and stock market structure, are in a very difficult position.

The "RM" (registracni misto [registration point]) system, which was cobbled together for the man in the street under Klaus' protection by his best friend and former chief of coupon privatization, Dusan Triska, is seen by the bankers as window dressing. The RM system which is now being offered by the government in Prague as competition for the securities market amounts to "an experiment for the stock exchange of the year 3000," according to what Vladislav Pavlat, the finance professor responsible for developing the Prague Stock Exchange, told *HANDELSBLATT* as early as last year. Only "the Edisons of the capital market," such as Triska, could have come up with the idea of forming the registration system for eight and a half million coupon stockholders into a trading system without brokers.

The fact that the small Czech Republic wants now to initiate trading in securities in two expensive systems at the same time causes raised eyebrows not only along the Vltava River, but also at other European stock exchange locations. For Jiri Franc, chief of the Prague Securities Exchange, the alternative trading system offered by the government has "lost a good bit of credibility," with the latest publication of minimum and maximum price quotations involving 987 privatized stock corporations. The list of "permitted trading ranges of the RM system, which was published on several pages of *HOSPODARSKE NOVINY* on 21 May 1993, is said to amount to deception of coupon stockholders."

Like the capital market planners of the Finance Ministry, who came out of coupon privatization, Stefan Rybar of the RM system sees things quite differently.

The quoted maximum and minimum prices applicable to the first round of trading showed "only the overbidding and underbidding" which occurred in the first auction round of the privatization of individual firms. The quotes are only considered to be "indicator values" and should provide "protection to coupon stockholders." Until 18 June, coupon stockholders could place buy or sell orders in the RM system at 450 former registration points. The system would then execute the orders only within the framework of permitted price ranges.

In contrast to this, according to Franc, chief of the Prague Stock Exchange, "true market rates are determined" on the Prague stock market in the case of buy and sell orders for privatization firms in extraexchange trading. According to Franc, the Prague Stock Exchange, which is equipped with French software—not at the urging of member banks and brokerage firms—will prevail against the RM system, which was initiated by Klaus' friend, Triska.

In the fierce struggle to develop securities trading in Prague, foreign bankers tend to run for cover. Open criticism by a foreign banker is seen like an offense against the sovereign "king of Bohemia" (who is very unforgiving and will not tolerate any other opinions). For the chief of a foreign bank branch located in Prague, this could be "deadly." The bureaucracy, which is still closely connected with the banks, the insurance system, and with industry through its former ties, is still overly powerful. No wonder then that in the brotherhood of foreign bankers in Prague, criticism of the Klaus government is, for the most part, only uttered with the visor down.

Only when the "expats"—in other words, the managers which were dispatched by foreign banks and firms—were hit in their own pocketbook at the beginning of this year with the tightening of the tax ratchet did the Klaus government get to hear a few things. Protest seminars involving such banking pioneers such as Swoboda, chief of Citibank, on the speaker's rostrum and threatening headlines ("Foreign Firms Are Losing More and More Important Employees, Managers Are Packing Up Their Belongings Because of the Tax Burden and Returning Home") were not lost in their effect upon the prime minister in Prague. In the meantime, the 85 amendments of laws and 20 newly formulated implementing regulations provided some relief for the "expats" who are able to put an end to this problem—a 47-percent top tax rate applicable to worldwide revenue, prohibitive social insurance contributions of 17 percent for employees and 36 percent for employers—as early as this year.

* Reformers To Use Trust Agency Experiences

93CH0748A Duesseldorf *HANDELSBLATT* in German
24 Jun 93 p 25

[Report on conversation with Vladimir Dlouhy, minister of industry and trade, by Klaus C. Engelen: "The

Reformers in Prague Would Like To Utilize the East German Experiences of the Trust Agency"]

[Text] According to what Prague's minister for industry and trade, Vladimir Dlouhy, told *HANDELSBLATT* last week at the end of his brief visit in Bonn, the Czech economy has thus far managed to deal with the consequences of the divided state "considerably better than anticipated."

Following the "serious slump" in trade between the two sister republics in the first quarter of this year—the numbers indicate a decline of between 30 and 40 percent—there are reportedly the "first signs of a turnaround" again.

If one considers, according to expert estimates, and in view of the high degree of foreign trade dependency upon the Czech Republic, a 10-percent drop in exports to Slovakia means 1 percent less economic growth, the slowdown effect of the politically wanted division becomes clear. Yet when the public budgets in the Czech Republic are showing surpluses in the meantime, more rapidly than had been anticipated, another side of the division of last year becomes discernible: The Czechs are able to save around \$700 million which previously flowed as annual subsidies to the poorer Slovakia from the economically more productive Bohemia and Moravia. Recomputed in korunas, this is quite a nice sum.

Czech enterprises were able to replace customers lost in Slovakia in other markets, according to Dlouhy. "In the first few months of this year, we suffered a total 9-percent decline in exports, but recorded almost 10 percent of growth in imports. This unfavorable development has virtually turned around during the second quarter. The trend is thus encouraging." But there can be no talk of a favorable world economic environment for Czech exporters at present. Following the sudden disappearance of the former East bloc markets, primarily the former Soviet Union, Czech enterprises are said to be confronted with a very difficult sales situation for the second time since they started on their way toward a market economy—as a result of the recession in Europe and primarily in Germany.

Despite the losses connected with the division, 1993 could, however, result in total production growth, particularly in those economic areas which are already dominated by private firms. As confirmed by the International Monetary Fund, the appropriate authorities in Prague—that is to say, the government and the Bank of Issue—had once more substantially gained control over the hefty price increases, which were caused by the introduction of new taxes and fees, as well as possibly by the division of the state. Problems are still said to exist in wage development. Primarily, confidence had reportedly been restored as a result of the rapid external stabilization of the Czech Republic following the orderly separation of the two states.

According to the figures for the first quarter, the Czech Republic trade deficit of \$100 million is reportedly

countered by a balance-of-payments surplus of \$150 million. With more than \$300 million in direct investments from foreign countries, the Czech Republic is said to be on the way to exceeding \$1 billion this year. Because the turbulence is caused by the separation of the currency in February, the amount of foreign currency in the hands of the Czech Bank of Issue rose once more to \$1.9 billion and has acted to calm down the financial and foreign exchange markets.

Total production numbers, which have continued to decline in recent months, are backed up by encouraging private economic growth figures. The share of private enterprises in total production is already said to amount to two-thirds, in the construction industry to about one-half, and in highway transportation somewhat more than one-third. More and more private firms are being added every day. The privatization of small retail firms is said to have been concluded in practical terms. The strong commitment of the Czechs to coupon privatization, according to the Prague minister, "shows that our citizens have faith in the market economy." With stock exchange trading opening in these weeks, the difficult process of large-scale privatization is said to be advancing by a large step. It is reported that a "completely new taxation, social security, and health care insurance system" has been successfully introduced. Once the new bankruptcy law becomes effective, the difficult privatization and reorganization process will reportedly "receive a new dimension because we are now concerned with closing down or drastically downsizing enterprises which are in distress." Substantial job losses will not likely be avoidable.

As the minister responsible for relationship with the European Community as well as for restructuring the large state enterprises, the former economics professor is interested in the closest possible contacts with Bonn. "When push comes to shove," according to what Dlouhy said to *HANDELSBLATT*, "we have always been able to rely on the German Government as an advocate in Brussels. Starting with Federal Chancellor Helmut Kohl, all the way to the individual ministers, it is understood in Bonn that opening and keeping open the markets for a country such as the Czech Republic is the most effective contribution to developing a market economy." It is primarily the chancellor who is said to have repeatedly been concerned with clarifying how critical access to European Community domestic markets is for the development of democracy and market economy in the countries reforming themselves.

He said that Bonn understands how to not only encourage market economy reformers, but also how to follow this encouragement with actions, as is shown by the most recent award of the Ludwig Erhard Prize for 1993 to Vaclav Klaus, prime minister of the Czech Republic. Dlouhy said: "It is not only that the countries at the interface between East and Central Europe need open access to Europe for their products; it is not only a matter of preparing these countries in the next few years

for European Community membership; it is quite decisively the fact that this process of attachment and integration of these new countries can mean lower growth rates and higher unemployment for the existing European Community economies as a result of intensified competition."

With other governments within the European Community, specific assistance in opening markets was said to not always be the case. This is a reference to the French who were claiming that the agreement between the European Community and the Czech Republic (as well as with the Slovak Republic) regarding steel imports, which was signed at the beginning of May, was a retarding influence. According to the new agreement, the successor republics to the former CSFR may export 35 percent more steel this year in comparison with 1991. The agreement, which is valid for the period 1993 through 1995, envisions the greatest increase, through 1995, for hot-rolled broad strip steel (102 percent) and welded pipe (100 percent). With respect to other steel products, the increase will amount to 60 to 66 percent. An exception will be made for seamless pipe, the exports of which actually declined by 12 percent over 1991 and the exports of which can be raised by a maximum of 16 percent over the quantities for 1991 by the end of 1995. The agreement, which goes into effect as of 1 June of this year, makes it possible to export more than these quantities, but only with a customs surcharge of 20 to 30 percent. By far the greatest importer of steel products from the former CSFR, despite the politically sensitive closing of its own steelmaking facilities, turns out to be unified Germany.

According to Dlouhy, it was not only the troublesome steel exports that had been the topic of discussion during his visit in Bonn. In his discussion with Guenter Rexrodt, federal economics minister, he said that the German experiences involving the Berlin Trust Agency in the privatization and reorganization of enterprises in the new lands had played an important role. Because Dlouhy's ministry and the Prague government are now confronted, after conclusion of the first wave of large-scale privatization, with the restructuring of giant state concerns in such traditional industrial sectors as steel and heavy machinery production, he had wanted to "know precisely how the Germans had proceeded."

The Prague minister of industry and trade said it was quite uncanny that "there was still a predominant calm following the effective date of the new bankruptcy law." He conceded that major enterprise closings and mass dismissals will not be avoidable even in the Czech Republic during the course of privatization and restructuring of the economy. "There are industrial combines where 10,000 jobs are at risk."

*** Agricultural Investments Said Approaching Zero**
93CH0739D Prague HOSPODARSKE NOVINY in
Czech 9 Jun 93 p 8

[Article by Daniel Kobr and Vladimir Martinek, of the Ministry of Agriculture of the Czech Republic: "Investments in Agriculture Are Approaching Zero"]

[Text] The complicated situation in agriculture during the period of privatization and transformation is reflected in the economic situation of agricultural enterprises that are not making investments and are living on their assets.

Since 1986, investment activity in agriculture in the Czech Republic [CR] declined, and, beginning in 1991, that decline was already extremely steep. In comparison with investments in the total Czech Republic national economy, the share of agricultural investments over the past three years has declined sharply. The listed trends are depicted in the graph below [not reproduced here], which compare the development of investments in comparable prices for 1989.

With respect to data for 1992, it must be noted that the Czech Statistical Office ceased monitoring the indicator of so-called substantive fulfillment, and it had to be replaced by the indicator for "billed investment work and deliveries," which is not fully comparable but can be considered, for these purposes, to be adequate. Because the Czech Statistical Office, in its Statistical Report No. 8, covering capital and housing construction, did not use a price index, the calculations for 1992 made use of the 1992/91 index, according to the URS of Prague—that is, 1.296. As was the case in preceding years, the data do not include investments by private businessmen not recorded in the Commercial Register. Because of a change in the methodology for monitoring by industry and by principal investor activity, it is not possible to tie in with a number of reports on agriculture, in the foodstuffs industry, and data relating to the former supply and bulk-buying authorities. It is necessary to utilize the classification according to principal investor activity. In 1992, the volume of investments in agriculture, when compared to the annual average of the past 10 years (that is, Kcs14,297 billion for 1981 through 1990), declined to Kcs2,530 billion—that is, a decline of Kcs821.31 percent. Compared with other branches of the economy, that decline is also critical because, over the past 10 years (1981-90), investments in agriculture were attaining an average of 12.63 percent of the volume of investments in the entire national economy of the Czech Republic, but, in 1992, they amounted to only 2.79 percent; that is, they showed a decline of 79.91 percent.

From that, it is apparent that the other branches of the national economy were not affected so specifically by the current recession in capital construction as was agriculture.

Machines, technological facilities, and buildings are deteriorating and aging, which results in a decline in productivity and a weakening of the competitiveness of Czech production in the international market. Agriculture, when compared to West European countries, is aging in terms of capital and is falling behind technologically and requires express modernization and a change

in technology, particularly in livestock production facilities—a change that is essential to raise productivity, utility, and the quality of production.

* Market Economy Raw-Materials Policy Outlined

93CH0739A Prague HOSPODARSKE NOVINY in Czech 3 Jun 93 p 8

[Article by Igor Hartman, of the Economics Ministry of the Czech Republic: "The Way Out Lies in the Principles of the Market Economy"]

[Text] *Raw materials as a primary input for the manufacturing process are one of the basic pillars of the economy. That is why all economically developed nations strive for long-term stable and generally advantageous support for basic raw-materials inputs. As an inseparable part of their economic policy, they even shape the fundamental direction of raw materials policy within the framework of overall strategy.*

Under the conditions of a planned and centrally directed economy, the raw-materials policy of the Czechoslovak state was based on efforts on the part of the grouping of states having centrally planned economies to achieve global self-sufficiency. That policy expressly promoted the political interests that existed at the time and failed to take into account any objective natural or economic conditions.

The minerals base of the former Czechoslovakia was quite multifarious. According to most recently available data and international comparisons dating back to 1986-90, issued by the Federal Ministry for Economic Affairs of the Austrian Republic, in collaboration with the National Committee for Organizing the World Mining Congress, Czechoslovakia was in 21st place in the world, with 25 monitored basic types of mineral raw materials.

The former Czechoslovakia had an expressly greater share in the world production of mineral raw materials in 1990 in terms of magnesite (14.8 percent, second place), brown coal (7.04 percent, fourth place), uranium ore (4.48 percent, 10th place), mercury (2.42 percent, seventh place), kaolin (2.41 percent, eighth place), and gallium (2.13 percent, fifth place). On the other hand, domestic production of some of the most important raw materials (petroleum, natural gas, iron ore) is completely negligible. From the standpoint of the volume of extracted mineral raw materials per square kilometer and on a per capita basis, Czechoslovakia ranked first in the world.

In conjunction with the fundamental change in the political situation at the end of the 1980's and the beginning of the 1990's, and in view of the transformation of the Czechoslovak economy to market economy conditions, it was essential to formulate anew the principles of raw-materials policy to be followed by the Czech Republic [CR]. Those principles were worked out and discussed within the Economics Council of the

Government of the CR in June 1992. With the breakup of the Czechoslovak federation and the adoption of the Czech Constitution, however, new factors appeared as a consequence of which the principles were not subsequently presented to the Government of the CR. That is why currently and in conjunction with the work plan of the Government of the CR, adjusted principles governing CR raw-materials policy are being prepared.

It is primarily necessary to redefine the limits of the necessary extent of government intervention in supporting the raw-materials requirements of the economy and in utilizing raw materials. That involves both influencing the intensity and determining the conditions for utilizing domestic raw-materials resources, and reliably supporting the economy through fundamental raw materials.

The raw-materials policy of the state must be based on the principles of a market economy while taking the following specifics into account:

- The nonrenewable character and dependence on locality of natural mineral raw-materials resources.
- The high risk of doing business in securing and utilizing natural mineral resources (a high degree of investment intensity, single-purpose installations, long-term investment recoverability, and so forth).
- Negative impacts upon the environment.

The state must assure that the above-named specifics are connected with generally valid principles of the market economy, while taking into account Article 7 of the Constitution of the CR: "The state shall see to it that natural resources are utilized conservatively and that the natural wealth is protected." Conservative utilization can be considered to be such utilization that, by using available modern equipment and technological processes in the extraction and the dressing of raw materials, assures the most completely possible valorization, while minimizing essential impacts upon the environment and adhering to other interests protected by law. The process of dressing and utilizing mineral resources impacts a broad spectrum of the most varied interests (for example, the interest in raw materials, the interest in profits, the ownership interest regarding the maximum valorization of the land involved, various public interests, the interest in protecting nature). All of these interests must be identified and evaluated in a qualified manner. Appropriate requirements and conditions will be applied in issuing authorizations to mine minerals, and observing those conditions will be subject to state oversight.

The raw-materials policy of the state must be asserted according to individual principles in such a manner as to facilitate the unequivocal orientation and equality of all legal entities and private individuals in the mining business, and so it would not be a threat to the legal certitudes of ownership. In that regard, it will be necessary to redefine the categories of minerals and to resolve ownership relationships regarding the extracted minerals

and property relationships as they affect the owners of the land involved. The extent of minerals that are exempt must be specifically restricted. At the same time, it is necessary to create conditions for minimizing conflicts of interest involving owners of the land being mined.

The Role of the State

The state will be striving to achieve optimum diversification of resources where those involve the economically most important raw materials not only from the standpoint of supporting a competitive environment in the extraction and utilization of primary raw-materials resources in the CR, but also from the standpoint of securing their stable deliveries from abroad. At the same time, the state must monitor and evaluate the export of mineral raw materials and adopt measures aimed at possibly restricting such exports within the framework of internationally adopted regulations and obligations. Within the framework of its raw-materials policy then, the state will, in essential cases, direct the movement of selected mineral raw materials in foreign trade from the standpoint of protecting its own mineral raw-materials resources against their possibly undesirable depletion and from the standpoint of protecting domestic producers against foreign competition involving the import of raw materials subsidized by another state, if it is necessary to preserve domestic production (for strategic, regional, or other similar reasons). At the same time, it is necessary for the state to reevaluate and optimize the status of its own state material reserves ("strategic supplies").

For purposes of asserting its raw-materials policy, the state establishes appropriate economic instruments within the framework of tax legislation, compensation for extracted minerals, participation by the state budget, and credit policy. Pressure on the economic utilization of the domestic mineral raw-materials' base will stem particularly from the principle of summarizing all expenditures related to the prospecting, extraction, and dressing of raw materials, the closing of mines, and reclamation and recultivation of impacted land.

The state will obviously continue to share in verifying domestic mineral raw-materials resources. Identified but hitherto unutilized deposits will be offered for utilization through the form of public contests or shall be cared for as strategic raw-materials reserves for future use. The state asserts the recoverability for resources from the state budget that led to the finding and acquiring of the deposit. In specific cases, the state can support even the search for and acquisition of new mineral raw-materials resources abroad in support of decisive branches of the domestic economy that depend on imported raw materials. The question of property participation by the state in extraction organizations remains an open one.

In the area of utilizing secondary raw materials, the state will support their higher utilization and the expansion of technologies that produce little waste.

The Need for Appropriate Legislation

The basic prerequisite for the creation and active assertion of a raw-materials policy is the appropriate information base on mineral raw-materials resources, information on current and future requirements of industry, the situation on the raw-materials markets, the development of technologies, and so forth.

The directions and principles of the state raw-materials policy contained in its principles must be reflected in the creation of appropriate legislative conditions, and those must tie in with the legislation on the books of the countries of the European Community. The axis of legislation in that area should be a new comprehensive mining law, the principles for which are under preparation.

The existing mining and geology laws were modified by amendments in 1991 so that they could facilitate the assertion of the principles of a market economy in those areas. Another amendment of the mining law applies the systems method in solving the financing of the elimination of the consequences of mining and other particularly ecological damage resulting from mining activities.

Program for Businessmen

There has been a significant shift in the realization of the program to develop the raw-materials base. The published program signified a fundamental systems change in the access by the business sphere to state resources expended for geological prospecting. Financial resources are no longer made available to some selected state prospecting organizations that were not economically dependent on the results of prospecting and for whom the expended resources represented desirable outputs rather than necessary costs. The program is broadly open to all business interests, but, of course, on the basis of clearly postulated business intentions, documented by marketing and financial studies. The principle of recoverability of expended state resources compels the business interests to be responsible in their decisionmaking and to minimize the amount of resources expended. The program signaled the end of prospecting for deposits of minerals for the state reserves without there being an actual need and, primarily, without any direct economic responsibility.

One of the principal practical instruments of the raw-materials policy is the institution of preliminary approval involving the identification of an extraction area. There, judgment is made of the technical and technological level of the organization involved, the setting of technical limits (for example, the minimum utilization of the substance in the deposit); the level of recoverability of state-expended resources is set; the possibility of exporting raw materials is limited (particularly in unprocessed forms); the degree of domestic processing of raw materials is judged; and so forth. The main interest is to place restrictions, particularly on the low utilization of the most high-quality deposits that

could represent prospects for the future effective development of a domestic processing branch, to prevent the use of obsolete technologies in the extraction and the processing of raw materials.

One of the significant instruments of raw-materials policy is the organization of public commercial competitions and selection proceedings designed to find the most suitable mining operators. The open possibility of access to unassigned deposits in the "reserve" of the state meant an end to the monopoly of decisionmaking on the part of a government official and provided an equal opportunity for all—that is, even for new private corporations. Experience has shown that a tough competitive struggle exists with respect to attractive deposits and is accompanied by efforts to utilize raw materials in the best manner possible, by efforts of maximum conservation regarding the formation and the protection of the environment, and is resulting in the best relationship between local officials and owners of the land involved.

* Skoda Plzen Resumes Arms Production

93CH0748D Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 25 June 93 p 24

[Article by be: "Skoda Plzen Is Returning to Arms Production—Cooperation With the French and the Germans—Export Control Law To Be Changed"]

[Text] Vienna, 24 Jun—The Czech Skoda Plzen Engineering Plant is planning the establishment of an important industrial group for armaments production. An appropriate proposal by Director General Lubomir Soudek was approved with an overwhelming majority on the occasion of the first general assembly of the partially privatized concern by the stockholders. Soudek, who was elected to the position of chairman of the board of directors on the same occasion, is currently the largest minority stockholder of the concern with a participation of 20 percent of the shares which he holds through his Nero Investment Corporation.

By the end of summer, a consortium is to be established under the name of RDP Group (Research-Development-Production) to be participated in by three dozen Czech firms. Twelve enterprises are said to have already firmly pledged their collaboration, including the Avia Vehicle Plant in Prague, and the Liberec Automobile Works, the Jablonec Vehicle Plant, as well as the Zbrojovka Plant at Vsetin. The Plzen-based engineering concern, which is not to be confused with the independently operating Volkswagen daughter corporation of Skoda, will take over the management of the consortium.

The concern, which was once the leader in the former Czechoslovakia's armaments production (60 percent of the production) had retired from this sector completely in the 1960's when, at the urging of the Warsaw Pact, the important Czechoslovak armaments industry was transferred from the vicinity of the border with the West to secure central and eastern Slovakia. With the division of the country at the beginning of this year, the Czech

Republic lost all access, particularly to the manufacture of heavy weapons. The first task for the new group will be the modernization of the T-72 tank, formerly of Soviet design, as well as the general restructuring of Czech armaments to NATO standards in view of the most rapidly possible amalgamation with this defense alliance. Toward this end, conversations are said to be already under way with the French SOFMA Armaments Concern which maintains close contacts with the Daimler-Benz Concern. The project is said to be receiving management support from the Americans.

The principal customer for the planned production is said to be the Czech Army, which currently numbers about 65,000 men, although the consortium is also thinking of exporting to the West and to other noncrisis areas. Meanwhile, the Slovak Government has announced that it hopes to complete the conversion of its economically dominant yet wholly unprofitable armaments industry by the end of 1994.

The decision at Plzen, which was expressly welcomed by the government in Prague, means a substantial reorientation of the Czech armaments industry, as well as a

reorientation of industrial policy. It could be substantially attributed to Vladimir Dlouhy, minister of industry and trade. In recent weeks, the minister had already indicated the abandonment of strict export prohibitions applicable to weapons, hastily imposed after the 1989 fall of the Communists. It was also the minister who had surprisingly appointed Soudek with the overall direction of the Plzen concern last November; the 46-year-old manager had already been director of the concern between February 1990 and 1991 and had had moderate reorganization success. Although Dlouhy had then been favoring cooperation with Siemens in the area of transport and energy, when this cooperation collapsed he saw to it that voluminous government and bank credits were made available to save Skoda Plzen. Today, Skoda Plzen is said to be financially reorganized, and yet there are no appropriate detailed figures available. With the number of workers down to 20,800, following a reduction of virtually 8,000 jobs since last September, a 9.5-billion-koruna [Kcs] turnover was achieved in 1992 (Kcs18 = 1 German mark). During the current year, an increase to Kcs12.5 billion is anticipated.

*** Delayed Integration With EC Discussed**

93CH0750D Budapest 168 ORA in Hungarian
15 Jun 93 pp 8-9

[Interviews with EC official Stephan Musto and National Assembly Representatives Jozsef Szajer (Alliance of Young Democrats), Istvan Szent-Ivanyi (Alliance of Free Democrats), and Andras Attila Fodor (Hungarian Democratic Forum), by Peter Gyuricza; place and date not given: "To Lobby, To Argue, To Quarrel; Should We Overrun Europe? Hog Plague Exists, New Aid Does Not"]

[Text] *Three years ago, when power changed hands, Hungary's integration with the EC seemed so close, based on promises made by the government. The hoped-for date of integration was postponed from 1995 to 2000, and now they are mentioning 2003 as the notable year, while many maintain illusions only about advantages resulting from our joining the EC. Although the date of integration is repeatedly postponed, some people believe that from a certain standpoint we are already late. This is what Peter Gyuricza's report is all about.*

[Gyuricza] We have been talking a great deal for a long time about joining the EC, the date of integration, the conditions, and the consequences. And yet, only now, after the meat embargo has the public been confronted with the EC's system of conditions. How could these events influence Hungary's integration, the negotiations with the EC? I asked this question from FIDESZ [Federation of Young Democrats] Representative Jozsef Szajer, a member of the parliamentary committee on the EC.

[Szajer] I would define the meat embargo issue as such a condition, but, at the same time, also as the beginning of sobering up. We must demythologize our relationship with the EC, we must recognize that entering the EC is very hard and difficult, and the path leading to the EC and which all of us must take, can only be travelled if we are thoroughly prepared. The meat embargo is one of several indications that Hungary is not sufficiently familiar with the EC operating mechanisms, and therefore is not prepared and is unable to intervene on time. Developing these mechanisms is indispensable, and this preparedness is the most important part of integrating with Europe. This is primarily a matter of domestic policy.

To Get Used to the Embargo

[Gyuricza] Mr. Stephan Musto is the EC's expert; he took part in preparing Spain, Greece and Portugal for integration. He had this to say: The embargo is no big deal, and even if it is, one has to become accustomed to that.

[Musto] This matter must be viewed in its broader context. One must realize that the EC protects primarily the interests of its own member states. Hungarians should become used to these methods, because such

actions are being taken not only with respect to Hungary, and not only relative to East European states. These measures are also being enforced vis-a-vis every country in the world which maintains relations with the Common Market. Accordingly, one has to recognize and prepare for such eventualities. I agree with those who say that one should lobby and argue firmly within the committee on association as well as at the political levels. Hungary should state its objection to the embargo, and that it does not intend to get used to such measures. Hungary should be aware that this is how the world operates, at the same time, however, all concerned should be told that if possible, we cannot [be dealt with on this basis]....

[Gyuricza] A consensus exists in parliament regarding integration with the EC. At the same time, however, many expect nothing but advantages as a result of joining. How could we put an end to these illusions? SZDSZ [Alliance of Free Democrats] Representative Istvan Szent-Ivanyi had this to say:

[Szent-Ivanyi] Preparatory work should already have begun in this regard. In this regard we are talking not only about the six parties seated in parliament, although undoubtedly, illusions also prevail within these six parties. The general public, and even some professionals entertain misconceptions. Hungary was shut off from the EC for decades, therefore our accumulated knowledge about the EC is relatively small. In the first phase we must increase our possible involvement in projects, in educational and cooperative forms of activity which help us acquire the appropriate knowledge. But we also have other important things to do. We must establish institutions and coordinate things to make sure that this preparatory work becomes continuous and produces results.

[Gyuricza] Many are afraid of these measures and legal institutions, however, because these produce disadvantages in the short term.

[Szajer] We must clearly understand that certain branches of industry, certain products, primarily the textile and the agricultural sectors, are, indeed, going to be disadvantaged. It is in our interests to prepare these sectors for joining the EC, on the other hand, they are not going to be able to prepare themselves unless they receive effective support from the government and from the institutions.

The EC Is Not in a Position...

[Gyuricza] If we become a member of the EC, Hungarian markets could, conceivably, be swamped with foreign goods in the short term, as a result of import liberalization. At the same time, one of the programs initiated by the MDF's [Hungarian Democratic Forum] Monopoly Group suggests that citizens purchase Hungarian products to protect Hungarian values. I asked MDF Representative Andras Attila Fodor whether this was not somewhat of a contradiction.

[Fodor] I do not wish to, and cannot speak for the Monopoly Group. I believe, however, that Hungary's economy is, by all means, sufficiently open by now to have an interest in participating in the European cooperation. Every country protects its own industry, its own agriculture; in Hungary, too, industry and agriculture provide jobs; therefore protecting industry and agriculture is in the well-considered political interest of every government, and in the well-considered economic and societal interest of every society. This is not protectionism. I believe that we must remain somewhere in the middle of the road, between the two [extremes]. We must protect industry branches, economic branches which are competitive, and in branches where we are not competitive, we must retrain the workers by changing the structure, and regroup the workers to fields where Hungary is definitely competitive.

[Gyuricza] Many expect money, aid as a result of joining the EC. Is this an illusion, Mr. Musto?

[Musto] It is an illusion at this moment. Although in the past, Greece and Portugal have received aid from the EC to prepare themselves, I do not believe that at the moment the Community is in a position to provide similar funds to the associated states of East-Central Europe. I do not believe that one should count on significant aid either on a bilateral basis, or from the Community itself, beyond the support provided as part of the PHARE program, and beyond the support already provided.

[Gyuricza] Istvan Szent-Ivanyi had this to say: At least two parliamentary cycles would be needed for Hungary to achieve full-fledged EC membership. Would it be possible to provide political guarantees to consistently see this process through?

[Szent-Ivanyi] I believe that such guarantee exists. Democracy in Hungary has become sufficiently stabilized and consolidated—there is agreement in this regard among the various political forces to justify hopes to have such guarantees—to succeed in this regard. No significant political force has turned against this consensus, except the Workers Party and certain extremist politicians within the MDF.

[Gyuricza] Mr. Fodor, do you think this program could be maintained amid political changes?

[Fodor] I do not envision the evolution of political changes at this time. This does not necessarily mean that the same government is going to hold on to power. Nevertheless I agree with Istvan Szent-Ivanyi insofar as he states that democracy has become sufficiently stabilized in Hungary not to change this European policy, this kind of commitment to Europe, if that is coupled with varying degrees of national commitments, regardless of the kind of government that takes power.

[Gyuricza] What does Jozsef Szajer have to say to this?

[Szajer] The political parties should cooperate even with respect to the details of integration. At the same time, in the future, regardless of whether a party is in the ruling position or in the opposition, every party is going to be faced with these issues. Quite obviously, every election changes the political leadership and parliament in some way, and the same way, changes occur both in the majority and minority ratios. Consequently, a long term policy which builds on consensus, and which wants to build a policy for integrating with the EC, must take into consideration already at this point what the opposition parties have to say regarding this issue, alternatively, they must watch the kinds of shifts in emphases that occur within the ruling parties in this regard.

No Need To Hurry

[Gyuricza] Mr. Musto, what are Hungary's chances? Could integration with the EC be hastened?

[Musto] I do not believe that integration should be artificially hastened. The country must prepare itself for this step, and this is conditioned by rather significant structural transformation processes. If Hungary wants to become a full-fledged member of the Common Market, it should dispatch 200 or 300 officials, according to my calculations, to Brussels, Strasbourg, and Luxembourg, in other words, these people should already be prepared and familiar at this point with the various mechanisms, the policies that prevail in the various branches of the economy, the systems of market rules of order that exist in agriculture or in the textile industry. The preparation of these people should already be going on, to enable them to appear some day at their [EC] workplaces after integration, representing Hungary's interests in part, and on other occasions, representing common European interests.

[Gyuricza] How long could such preparations take?

[Musto] Many long years. Let us not forget that the Portuguese and the Spaniards negotiated for almost nine years; meanwhile they made rather strict preparations, including structural changes. Spain and Portugal shut down all textile, steel, and aluminum industry plants, and all other plants which could not compete within the Common Market. In Spain they reckoned with the fact that this would result in a loss of three million workplaces. And yet, they said that doing so was in their long-term interest, and that they would protect during the approximately 10-year transition period only those branches of industry which had a chance of becoming competitive in the European and world markets in the long term. Hungary is in a similar situation; it has no other choice. This structural transformation and preparatory period is going to be rather long. But for paying this price, Hungary is going to receive the greatest profit, the greatest advantage, provided that it is appropriately prepared when joining the EC. A few years' delay is preferable if Hungary becomes more efficient during that period; Hungary should join the member states of the EC in as strong a condition as possible.

*** Official on Security Policy, Cooperation**

93CH0750E Budapest: *MAGYAR NARANCS* in Hungarian 17 Jun 93 pp 4-5

[Interview with Foreign Ministry official Istvan Gyarmati, head of the Security Policy and European Cooperation Division, by Andras B. Vagvolgyi and Jozsef Makai; place and date not given: "Conflicts Cannot Be Prevented"]

[Text]

[MAGYAR NARANCS] Security policy, as part of foreign policy, has recently become a prominent topic of discussion. Let us begin with the fact that NATO military exercises are going to be held in the near future, and the Polish army, and the armies of the Baltic states are going to take part in those exercises. Are Hungarian politicians not envious of former Warsaw Pact troops taking part in NATO exercises?

[Gyarmati] I do not think so. We have transcended the competitive spirit of the initial period, checking who is closer to NATO. There is a simple reason for our absence from the NATO exercises: We have no common borders.

[MAGYAR NARANCS] Could NATO membership mean guaranteed security?

[Gyarmati] NATO membership is necessary, but it is not a condition that provides satisfactory guarantees for Hungary's security. But rather than calling this NATO membership, I use the expression "substantive cooperation" with NATO. Whether this assumes a final form, and when that happens, is the next question. In other words, substantive cooperation with NATO is a very important part of Hungary's security policy. Not because we recognize NATO's basic function as something that needs to be extended to Hungary—our main fear is not that someone is going to launch a preplanned, large-scale attack on Hungary—but because NATO also has another function: extending stability. Hungary's membership in NATO, or very close cooperation with NATO strengthens the stability of the military and political situation.

NATO membership would have yet another effect which I regard as very important. It would advance Hungary's integration with West Europe, and this would be very important from both a political and a psychological standpoint. Unfortunately, the feeling that gains strength in Hungary, notably that this is a one-sided love affair with the West, also has security policy implications. Perceptions are no less important than facts when it comes to security policy. A situation in which Hungarian politicians do not feel secure, in which they sense that NATO ignores them, could produce views and reactions that would, in the end, weaken our security. Therefore strengthening the perception of security as a side effect of NATO membership is also extremely important.

The third effect is that a relatively quick and painless Hungarian military reform can only be implemented by

integrating the Hungarian armed forces with NATO. Due to the peculiar features of the region and of Hungary, the problems of military reform are difficult to manage without membership in NATO.

But even if we do not become NATO members within the foreseeable future, we still must provide for our security somehow. Many people tell us that they do not wish to introduce yet another Greek-Turkish conflict to NATO, and much of this is true from their standpoint. I would much rather say that quite obviously, the countries of this region would be far more motivated, and would receive more aid from the West to resolve their own bilateral problems, if this was to take place in the framework of a solid military and political integration process, as compared to the present situation in which these countries are forced to seek national solutions to resolve their conflicts. NATO membership would not resolve all security problems. This, as I said before, is necessary, but not sufficient to provide satisfactory security; the endeavor to become a NATO member must be adapted to a more general endeavor to integrate with Europe. Other organizations, like the Council of Europe, and the CSCE could provide solutions in crisis management and in the field of human and minority rights, which could also remedy such problems experienced by Hungary.

[MAGYAR NARANCS] How does Brussels receive these kinds of proposals?

[Gyarmati] NATO policies are set in the 16 capitals, not in Brussels. NATO partners generally feel that the NATO membership of Central-East European countries is no longer in question, the question is when and under what circumstances they become NATO members. There are two big questions behind this, of course. First, what kind of NATO we are going to be members of, because NATO is undergoing a big change. And second, NATO is unable to do anything with Russia, and this situation is probably going to last for a long time. It is obvious that Russia cannot become a member of NATO as long as NATO remains a military defensive organization. A solution must be found in which the integration of the Central-East European countries does not constitute an increased threat to Russia. Hungary's NATO membership is not going to threaten Russia, of course, but since security is also based on a feeling of being secure, the integration must take place in a way that Russia does not register it as a threat. There are several ways to accomplish this, but the Russian problem must, by all means, be managed in conjunction with expanding NATO.

[MAGYAR NARANCS] Joining the EC is visibly the goal of the previously neutral countries. Finland would like to become an EC member in 1995, at the same time, however, that country is not contemplating joining NATO, even though from the standpoint of being equipped, the Finnish army is much more compatible

with NATO than the armies of the former Warsaw Pact countries, which are strongly attracted to NATO at present.

[Gyarmati] The security problems of Finland and Hungary are very different. Hungary is in a region which, as I said before, is characterized by a lack of stability. This does not hold true regarding Finland. It has only one security problem: the Russian threat presented by a long, common border. But this is not really a current problem, only some dramatic turnaround could activate this threat. And aside from that, Finland's army would be able to resist a possible Russian attack, they have been preparing for that for many, many decades. Their security problems can be managed even without NATO membership.

[MAGYAR NARANCS] As you mentioned before, NATO membership would be very useful because it would support Hungary's military reform that increasingly appears as something that cannot be delayed, and is needed by all means in Hungary. As of recently, some serious debate has centered around the issue of whether part of the debts of the former Soviet Union should be discharged in the form of military materiel, and whether Hungary should accept MIG-29 airplanes, which are based on a more highly developed technology.

[Gyarmati] The Hungarian army is "not compatible" with NATO membership, but this is not primarily a matter of armaments. Had I had a say in this regard, I would not necessarily have purchased the MIG-29 airplanes. But this is another issue; the purchase of the MIG-29's does not increase the compatibility problems. These problems exist primarily in terms of leadership, communications, and control systems, and these are the most difficult problems to resolve. Weapons can be matched and exchanged, doing so is "only" a matter of money. To change leadership principles and have officers accept those principles takes a long time, as well as a highly consistent educational, training, and retraining effort. In terms of hardware, compatibility must be established in the fields of communications, intelligence, and management systems, because we are unable to cooperate with our partners if, for example, we communicate on different radio frequencies. This should be obvious. Due to the shortage of funds in particular, I would be inclined to first render the C31 (Command, Communication, Control + Intelligence) management system compatible, thus, when it comes to exchanging weapons, these would enter an already receptive system. The Hungarian army would not become compatible as a result of someone flooding this country with a bunch of Western systems.

[MAGYAR NARANCS] What does management system reform consist of?

[Gyarmati] The military is always highly centralized, but under the conditions of modern warfare a situation in which the upper level military leadership maintains

constant control, and is capable of constantly and continuously directing military operations cannot be maintained. Commanders at the lower levels, down to the level of battalion commanders, must be trained to be able to make their own decisions. This involves doing away with certain chains of command, because the Soviet system had only vertical chains of command, while modern warfare also requires horizontal chains of command.

[MAGYAR NARANCS] As long as we have reached this point in our conversation, what do you think of the need to establish various branches of service, rapid reaction units, and units capable of defending the territory, and about the relationship between these?

[Gyarmati] The entire military planning system should be reconsidered. The military leadership is being forced to think through what it has, and how to utilize this in the most effective way, the possible tasks the army may have to perform. The tasks should be ranked in the order of priority, because we cannot afford performing certain tasks that should be performed. A relatively small instant reaction force would be needed, supplemented by a genuine territorial defense force.

[MAGYAR NARANCS] Insofar as the training and skills of Hungarian army officers are concerned, do we meet the standards of NATO officers, and of officers in neighboring countries?

[Gyarmati] We do not meet NATO standards, of course, how could we? In NATO countries military officers are part of the intelligentsia: The concept of military officers' independent leadership qualities is different. But the training of Hungarian military officers does meet the standards needed for reform. On the other hand, we should have carefully retained those few thousand officers who had left the military during the past two years for financial reasons or for a lack of perspective. It will be difficult to replace these. Accordingly, the corps of officers is fit, it only has to be retrained, and this requires a concept.

[MAGYAR NARANCS] Hungarian troops within NATO operate under joint command, or not under Hungarian command, and this also raises constitutional issues. Thus the scope of military foreign relations also becomes much more active. What do you think of the foreign relations of the Hungarian Honved Forces, and about the relationship between the Defense Ministry and the Foreign Ministry?

[Gyarmati] The basic issue is that we must have appropriate civilian experts working at the Ministry of Defense, people capable of introducing an appropriate atmosphere and attitudes to the Ministry of Defense. From this standpoint the Hungarian army has no problems, our soldiers have very good relations with their foreign colleagues. There is only one real problem: From time to time they have difficulty with finding a common language in which to communicate. Accordingly, one of the key issues in Hungarian military reform is to teach at

least the English language to as many Hungarian combat officers and noncommissioned officers as possible. Initiatives do exist in this regard: Quite a few people are studying during work hours, while receiving their military pay. But this is still not enough. Officers should regard the knowledge of languages not as a requirement imposed by the military, but as a necessity. The problem is—and this is not the soldiers' fault—that military structures are not suited to effectively adopt Western experience. But they cannot be blamed for that.

We have already met the standards of Western civil democracies insofar as cooperation between the Defense Ministry and the Foreign Ministry is concerned: We constantly fight with each other, we always want different things, and in the end we manage to reach a common viewpoint. Quite naturally, we feel that we should be involved more in international issues. Differences of opinion, disputes arise not because one ministry is better or smarter than the other, but simply because we view problems differently. By the nature of things, a foreign ministry is always more progressive than a defense ministry. This is how things must be.

[MAGYAR NARANCS] How could a Hungarian unit serving under joint command be accepted from the standpoint of constitutional law?

[Gyarmati] This is a difficult thing; politicians should resolve this matter, because it is not a military issue. We must realize that NATO membership has certain consequences. For example, we cannot integrate with NATO unless we accept the principle of a joint command. This also means that decisions [emerging in the form of legislative proposals] concerning NATO membership, obviously subject to ratification by the National Assembly, must also contain amendments to change existing, related legal provisions. In contrast, however, we could count on vocal, but not heavy resistance: the two extremes would probably engage themselves in a shouting match, but the two centers would agree. We should start preparing the public for this. NATO membership does not mean a sudden step by NATO to extend its umbrella over us, just because we are nice. The political elite has already thought this through, and I believe that it is going to be acceptable to the public.

[MAGYAR NARANCS] Ping-pong diplomacy has once existed; there is talk about people's diplomacy; there also exists military diplomacy. Hungarian military diplomacy produced one outstanding fact: the good relationship between the Romanian and the Hungarian military leadership. What do you think of the balancing and stabilizing role of this relationship at a time when understanding at the diplomatic level falls short of what would be desirable?

[Gyarmati] Foreign policy is within the realm of neither the Defense Ministry, nor the Foreign Ministry, it is a matter to be dealt with by the government. Quite naturally, every government tries to implement its own foreign policy through its own methods. The Foreign

Ministry fully supports efforts by the Defense Ministry and by military diplomacy to establish close relations not only with Romania, but with all our neighbors. This endeavor supports the Foreign Ministry's work in many respects. If I were a cynic, I would say that let us continue quarreling, because not even quarrels would cause soldiers to confront each other. The issue is not whether the Defense Ministry endeavors to achieve a compromise while the Foreign Ministry does not, and that this is why military relations are good and diplomatic relations are not so good; the simple fact is that various means are available to foreign policy, and the various organs realize their goals in different ways. But it is very good to know that Romanian-Hungarian military relations are at this level, and that they are solid.

[MAGYAR NARANCS] The world order in which we lived before, has changed since 1989-90. Previously we had a great bipolar conflict of huge military forces and the threat of nuclear war. This threat has been reduced beginning in the 1970s, it existed more like a theoretical threat only. On the other hand, a number of "hot" conflicts arose since 1989-90 here and in the outer, as well as in the internal areas of the Soviet empire. As the ambassador of the CSCE you have performed crisis management functions in the Caucasus and in Georgia, for example. What is your view of the role in, and mainly the opportunities for crisis management to be performed by international organizations?

[Gyarmati] The big difference is that in the days of the bipolar world order we had conflicts which were not armed conflicts, but which could not be resolved. Today's conflicts are armed conflicts, but they can be resolved in the long term. At this point in time we recognize only the conflict, and we do not yet see the resolution, but it is very important that our actions be motivated by an awareness that these conflicts can be resolved. The question is, of course, how these conflicts can be resolved. In this regard we must do away with certain illusions. For example, we must not believe that these conflicts can be prevented. They cannot be prevented: Conflicts must be managed and resolved. Prevention would mean the suppression of conflicts, preventing a conflict from flaring up, as a result of which the conflict would arise later with an even greater force. What might be prevented are armed conflicts: In this regard the prevention of conflicts must mean the elimination of, or providing a minimum chance for the use of force.

The second thing is that as long as we were unable to prevent a conflict from becoming an armed conflict, attempting to accomplish a cease fire on the first day would not be realistic. They probably did not start shooting around just to stop shooting the next day, and therefore the first thing the international community should do is to try to prevent the spread of the conflict. This may be an ugly thing to say, something unpopular, but this is realistic. Efforts to resolve the conflict itself may be initiated in parallel with this.

The third, important thing to realize is that one cannot separate military, political, diplomatic, economic, etc. means from conflict management. In the Yugoslav crisis we wasted many, many months by saying that we would not negotiate unless there was a cease fire. The two things must be pursued in parallel: One has to negotiate even while fighting is going on. Military means play a greater role than we would think. Playing the military role does not mean that we wait until a cease fire comes about, until the troops become separated from each other, at which point we deploy a few unarmed soldiers in between the troops so that they do not shoot at each other. In given situations, peacekeeping forces must engage themselves in fighting in order to bring about a cease fire.

The problem of crisis management is that basic political principles, a political consensus is missing. Let me mention just one example: No consensus exists regarding ways to manage minority problems. Newly independent states take the other side immediately after they become independent: They championed the ideal of self-determination as long as they were fighting, and cursed the one who regarded sovereignty and territorial integrity as absolutes. As soon as they became independent they regarded their own integrity as an absolute. No generally accepted solution exists for this at present; in other words, we will see ad hoc solutions applied on a case by case basis. Perhaps the crisis in Yugoslavia and other crises will force the world to realize that these solutions must also be supported by some standard rules. But I think that rules based on precedents are going to become characteristic.

Insofar as the organizations are concerned: Neither NATO, nor the CSCE, nor the UN are able to guarantee the solution. One cannot manage every crisis based on a single, predetermined pattern. The organizations must work together: The smaller or larger roles played by individual organizations in various given crises must not define their respective roles in absolute terms, and the same pattern need not necessarily be applied to a subsequent crisis. In the final analysis, crisis management does not depend on the organization which manages the crisis, but on whether the government wants to manage the crisis. The reasons for everyone's fiasco regarding the Yugoslav crisis is not to be found in the fact that these organizations are unsuited to manage a crisis, but in the way many West European governments felt; they thought that it was not in their interest to become submerged in this swamp, and consequently they did not permit these organizations to take part in resolving this matter. To the contrary, they created rivalry between these organizations to serve as a pretext for noninterference. The key question is whether the West European and U.S. governments are going to decide to join in managing the crisis. The basic issue in this regard is the kind of foundation the new world order, or the order of Europe is going to have, if there is going to be such a thing: Is it going to be built on principles or on interests? If the new order is going to be built on principles, it will

become unavoidable for these countries to take part in crisis management; in contrast, this region is going to be left to its own if the new order is going to be based on interests. This contradiction can only be resolved if West European countries understand that abiding by principles is also in their long-term interest. Countries or crises which violate principles sooner or later will also violate their interests.

* Excerpts From Antall Speech at NATO Workshop

93CH0750F Budapest HETI KIS UJSAG in Hungarian
18 Jun 93 p 5

[Excerpts from Prime Minister Jozsef Antall's speech at the 10th NATO Workshop Conference on 3 June 1993 in Budapest: "Preventive Thinking Must Be Made Part of Security Policy"]

[Text] (*Due to space limitations we are unable to publish the full text of the speech. The written text based on an audio recording is also presented to our respected readers in a somewhat abbreviated form!*)

I would like to underscore the fact that the Hungarian Government's commitment to the Atlantic idea, to NATO, is not of recent date, and that this commitment constitutes an organic part of Hungarian politics and foreign policy. Also, permit me to discuss more than one issues from my own, subjective viewpoint before discussing those very timely issues that affect our lives today, the analysis of which is the function of this conference.

The first issue I must address pertains to changes that have taken place in Hungarian foreign policy. Hungarian foreign policy has prevailed in this region for centuries within given historical frameworks. This foreign policy has been based on an understanding that it would be firmly supported by the Western half of Europe (because the West would consider the Eastern region as an active component), and that it would safeguard this country, and the entire Central European region, also using other foreign policy factors, if necessary. One of these factors was the Pope against the Holy Roman Empire, the other was the overweight of the Byzantine or Ottoman Empire, and later of Russia. In between these powers our region always struggled with elements of uncertainty, with the threat of becoming disintegrated, and these factors had to be balanced for centuries by Hungarian foreign policy in the framework of alliances with other countries of the region, and more than once in the form of war....

Between the two world wars, Hungarian foreign policy clearly recognized the meaning of the European region, and the implications of small geographic units, of Europe's geopolitical and geographic structure, of the vast distance between the U.S. and Russia, as well as the different policies these factors warrant even today. Hungarian Prime Minister Count Pal Teleki was an outstanding representative of this thought; he recognized the differences in foreign policy that flowed from these

geographical regions, and discussed these differences in presentations at Oxford, Cambridge, and elsewhere.

This way of thinking has become part of Hungarian foreign policy development at a very early stage, along with some provincialism manifested more than once by official Hungarian foreign policy during the past centuries. Hungarian foreign policy always had a second tier, one oriented toward international affairs, one that viewed events on the global scale, recognizing these dimensions. This second tier has also existed between the two world wars, when the peace treaties after World War I, the peace system established in the vicinity of Paris (1920-21), redrew the map of this region. Within the process that started after the disintegration of the Austro-Hungarian Monarchy and the Ottoman Empire, and which led to the temporary isolation of Russia because of Bolshevism, this foreign policy mentality was reflected in the workings of scientific societies, and in studies and some outstanding works, while official Hungarian foreign policy struggled in the framework of the peace system. As soon as the shackles imposed by the peace system loosened to a certain degree, the influence of the Axis powers emerged: Fascism, Hitlerism, and Bolshevism appeared, the latter, of course as a nightmare, spreading in the direction of the Central European region.

In examining the attitude manifested by Hungarian foreign policy in light of these problems, one must clearly understand that the burden of responsibility rests not only with small countries, but also with large countries. Despite an expressly anti-Hitler, anti-Bolshevist policy, despite a Hungarian foreign policy expressly opposed to these dictatorial systems, and despite all the Anglophil sentiments expressed in this country, Hungary, with strong German intellectual and cultural relations, but with no commitment to Hitler, accepted the Central European reality of those days, then found itself in the situation that evolved after World War II. Hungarian governments never reached the point of becoming clearly subservient to Hitlerism as long as Hungary was able to preserve most of its sovereignty, i.e., until 19 March 1944, when German troops marched into Hungary.

Allow me to say a few words about the new situation that presented itself in Hungary in 1944 and 1945: about the period between 1945 when the war came to an end, and 1948 when the communists took power under Soviet occupation, a period in which Soviet occupation was the dominant factor, but in which a minimum structure for parliamentary democracy managed to evolve: The extraordinary support received by the Communist Party, and a number of other phenomena which foreshadowed the dictatorship.

Knowing how the politicians of that period felt, what we, as young people, opposed to the communist political system, of that era thought, should be instructive. What experiences did we have relative to the Atlantic ideal, relative to the United States, and in connection with

everything worthy of discussing today as matters of historical reality?! Let me first make reference to a book I laid my hands on only later: Harriman's book entitled "Special Mission to Churchill and Stalin," published in 1975 in New York. In it, Harriman recalls October 1945, when it was possible to hold free local government elections in Budapest, and when later it became possible to hold national elections. This is what Harriman had to say: "Budapest was overjoyed. Jack McCloy and I wanted to go to the U.S. mission, but we could not get through to the entrance. A huge crowd celebrated the victory under the U.S. flag." I was there, I witnessed this situation, so that I can quote Harriman as a live witness to that event. "I felt humbled when I realized that these people regarded the United States as the defender of freedom." Indeed, that is what we thought, and we were waving U.S. flags. "They expected so much from us, and we were able to do so little," Harriman said. "I am certain that the scene I witnessed in front of the U.S. mission convinced me that we had to pressure the Russians to keep their promises. I was simply unable to accept the view that we had to leave that place, and that we had to let East Europe to be turned into a zone of the Russian sphere of influence, and to let them act the way they wanted to." This is how Harriman recalled the event which I had an opportunity to personally witness at the time. What kinds of books did we read in those days? Elliott Roosevelt's book about his father, and General George Marshall's book on World War II. We devoured these books; between 1945 and 1948 the works of Walter Lippmann and Wendell Wilkie, and a number of other books were published in the Hungarian language, which we, as high school students, were able to read. Those were the days when Walter Lippmann's book entitled "American Foreign Policy," (published in the Hungarian language in 1946.) had a definitive influence on our way of thinking, and not only on what we thought, but also on the mentality of politicians pondering these issues.

If we review the list of nations which belong to the same security system, we find that these nations live in the area between the Old World and the New World, and that the Atlantic Community has emerged from that point on, virtually with the discovery of America. Our tragedy was that while the nations in the Mediterranean area secluded themselves, Western Europe, and then, with the discovery of America, the new, developed world, emerged as the Atlantic region, while we, in a certain sense, became the barnyard of Europe. Countries advocating a continental foreign policy, primarily Germany and Russia, regarded this changed situation as being in their direct sphere of interest. France manifested a more reserved interest, but regrettably, or, perhaps, understandably, a continental frame of mind was missing from British political thought, which was based on sea power. What should we, Hungarians, have thought when in that period, in 1944, just before the end of the war, the excellent observer, the foreign policy adviser to several U.S. presidents wrote that "encouraging the peoples of Central and East Europe to organize

and to set up a barrier toward Russia would be tantamount to making a commitment on which the United States would not be able to perform. From the standpoint of the barrier nations, erecting such a barrier would include counting on the armed support of the Atlantic powers when formulating their relations with Russia. Since the United States has no access to that area, making such a commitment would be an unbalanced act, and could not be performed."

This finding made clear to us the meaning of determination on part of the United States as well as of West Europe—the latter worn out by the war—in the military situation of the post-World War II period.

This book, written in 1944, published in the Hungarian language in 1946, established a principle according to which states were protected by law, but not by might. "It seems that the satisfactory settlement of the future of states at the Western borders of Russia hinges on whether they are willing to pursue policies aiming for neutrality, and on whether Russia honors the neutrality of the region," of our region. "A solution of this nature would be in the best interest of the United States. It would bring neither us, nor the members of the Atlantic Community into conflict with Russia, but it would provide Poland, the states along the Danube, and the Balkans the sole form of security we could offer to them. In addition, this solution would also represent security from the Russian standpoint. This security would be based on the fact that after disarming Germany, the nations of Central and East Europe would no longer act as the advance fighting units of a Western coalition." This is what Lippmann's book had to say, the book that catalyzed our entire political pessimism, the book that had a profound impact on our way of thinking between 1945 and 1948. This idea of a neutral Hungary was the same as the one that became our political program in 1956, and we recognized this idea as the solution between a relatively, but extremely strong Russia at the time, and the NATO countries which were gaining strength. The idea of a neutral Hungary, the neutralization of the region was very much alive in the consciousness of the nations of this region until 1988 and 1989.

When the 1989-90 turnaround marked by national roundtable negotiations and free elections occurred in Hungary, and later, when the same thing occurred in Poland, a country that has been treading that path before, and in the rest of the East-Central European and Balkan states, and when the unification of Germany occurred, etc., it became clear that the problems of this region could no longer be managed based on the principle of neutrality between NATO and the Warsaw Pact. Considering all this, certain negotiations took place which advanced us in this regard. I will make reference, if I may, to the final meeting of the political consultative body of the Warsaw Pact on 7 June 1990, where, by the irony of fate, and only on the basis of the then current chairmanship I inherited from the previous system, I opened the Moscow meeting and said: "I wish to emphasize that insofar as Hungary is concerned, we welcome

the Soviet position that recognizes the significance of the military commitment made by the United States. We believe that the military presence of the United States serves as a stabilizing factor, that it is going to have a definitive positive influence even after the restoration of German unity. In order to achieve European unity, it would be desirable to rely on solid Atlantic cooperation, which, in the course of two world wars, proved the inseparability of Europe and North America, irrespective of the side on which individual states stood." Based on all this, it comes as no surprise that Hungary has expressed these thoughts already in June of 1990 in Moscow, when the Warsaw Pact was still alive, and when Mr. Gorbachev and his government were sitting at the opposite side of the table.

In this changed world, after the collapse of global communism, after the disintegration of the Soviet Union, and after the establishment of the successor states, NATO continues to hold responsibility, and NATO remains unchanged and must be the most important political and military stabilizing factor.

This does not at all conflict with our position supportive of European integration, and does not contradict the fact that we have an associate relationship with the EC—recognized, but not ratified.... Accordingly, European integration is a fundamental tenet of Hungarian foreign policy, and within that, the West European Union, the European leg on which NATO stands. The other factor also stands on the U.S. leg, and this is the comprehensive and great unity that has manifested itself for centuries, which is, indeed the transatlantic ideal, and NATO is the embodiment of transatlantic cooperation today. This must serve as the stabilizing factor.

Based on all this, the following appear to be the logical consequences of Hungarian foreign policy: the Hungarian political act of enabling AWACS airplanes to continuously circle around in this region; the fact that Hungary has extremely active political dialogue with Russia, a country in the process of renewing itself; and the fact that Hungary supports Russian reform endeavors and that we assured Mr. Jelcin, too, of our solidarity during the difficult days (on 16 March 1993), much before several great powers did the same.... We clearly recognized the significance of the bordering Ukraine, and its 55 million people. On the one hand, in our present world, we believe that NATO, the Atlantic region, the Atlantic Ocean as a landlocked sea, must continue to have priority. On the other hand it should be clear that during World War II, and even before that, there evolved another center, the Pacific region. It is farther away from our world, nevertheless the Pacific is going to be the other region which we must equally watch, together with its rising economy and military weight. In addition to that, we also have the various crises which are also going to influence our world in the future.

In the midst of managing major military conflicts we must not forget about the North-South problem, the

social tension it produces, and of the meaning of various intellectual, religious and political fundamentalist movements. Often relying on religious fundamentalist beliefs, social and political fundamentalism in the framework of the North-South conflict may rise in the form a Bolshevism of the 21st Century, and may invade the world.

*** Legal Conditions for Changing Government Discussed**

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[Interview with Istvan Kukorelly, constitutional law specialist, and Attila Agh, political scientist, by Attila Herpai; place and date not given: "Constitutional Conditions for Making the Government Fail; Whom Does Jozsef Antall Scare? Sixty Representatives and the Lame Duck"]

[Text] *On what occasions can the government request a vote of confidence in order to reinforce its own positions? Could a government crisis reach the point where parliament must be dissolved? Does the role of the President of the Republic change in times of government crises, and what conditions must be fulfilled in order to call new elections? Attila Herpai asked these questions from constitutional law specialist Istvan Kukorelly, and political scientist Attila Agh.*

[Herpai] More and more people say that as a result of the MDF's [Hungarian Democratic Forum] internal crisis, the largest ruling party may be forced to become a minority government. Some believe that this would amount to a government crisis. But does the Constitution recognize the concepts of government crisis and crisis government, and what do these terms mean?

[Kukorelly] Government crisis is a natural companion of parliamentarism; it means a condition in which the mandate of a government elected on the basis of majority rule ceases. Constitutions recognize objective situations when governance ceases—as, for example, when the government resigns—but termination based on subjective responsibility also exists, and this may be the condition called government crisis. I should add to this immediately that conceivably, within a single election cycle, several government crises could occur. The question is whether our present constitutional system is capable of managing government crises.

Beyond the Tolerance Level

[Herpai] This capability to "manage" government crises obviously hinges on the number of parliamentary representatives the cabinet is able to enlist when it governs in the minority, even if it must win over opposition representatives to support its own perceptions.

[Kukorelly] The situation becomes rather feverish when a government loses majority support in parliament. It is rather dangerous to govern based on a situation like this. This is not a natural condition of parliamentary systems,

accordingly, from a constitutional standpoint, I have real difficulty accepting and tolerating the idea of minority governance, because a minority government could operate for several months, and this would circumvent the classic values and principles of parliamentarism. I would add though, that limits of tolerance do exist. The Constitution provides rather specific rules for this kind of situation, since one cannot go on and on with a government in which confidence has been lost. If several votes of confidence are being called for—and this could occur more frequently under conditions of minority governance—there is a point beyond which one cannot go, in other words the next step, dissolving parliament becomes unavoidable.

[Herpai] If my understanding is correct, the Constitution provides that the government may request votes of confidence to reinforce itself, and the government fails if parliament rejects four times within a year a given law, or the call for a vote of confidence itself. What happens in that case?

[Kukorelly] It is hard to decide when a government crisis reaches a point where parliament must be dissolved. In other words, the point where the parliamentary system is unable to manage the government crisis by assembling a newly composed cabinet under the direction of the same prime minister, or a different prime minister, without calling new elections. These are possibilities. The Constitution itself counts on situations like this, because prior to dissolving parliament it provides a 40-day opportunity to form a new government, and parliament is dissolved only if no government is formed within 40 days. This rule in the Hungarian Constitution is peculiar, because it does not mandate the dissolution of parliament even under these conditions. The President of the Republic plays a very important role in such crisis situations.

[Herpai] Should this be understood to mean that in case of a government crisis the responsibility and political role of the President of the Republic increases?

[Kukorelly] The balancing role of the head of state increases tremendously, but he is not obligated to dissolve parliament even under conditions like this, instead he may use his discretion and consult with the political forces. Nevertheless, after four votes of no confidence the President of the Republic would probably decide to dissolve the parliament. But I still maintain that the executive power in Hungary is extremely stable, perhaps the most stable among all the European systems.

[Herpai] What role would the head of state play? What is his responsibility in terms of governance?

[Kukorelly] Minority governance does not change the essential course of events, because under these conditions a government has not lost parliament's confidence, it has only become unstable. The most that can happen as a result of becoming a minority government is that the government cannot govern. In this situation the government walks on that certain thin line; it performs that

certain balancing act. Nothing essentially changes as a result, at most the country's image deteriorates abroad and political uncertainty is also reflected inside the country. Not many people would be likely to agree to govern under such circumstances. The prime minister also said something to this effect: He would not agree to govern under such conditions. I would add here, that in addition to constitutional rules, political culture, and the ability to cooperate, customs also plays an extremely significant role in this regard. Here we should once again underscore the role to be played by the head of state, the good "king," the president of the Republic. He occupies a key position in the course of negotiations, because very often it is difficult to forge the required parliamentary majority. I would add here that constitutions generally do not tie the hands of presidents of republics as to who should be named as heads of government. And yet, there are customs, according to which majority rule in parliament must be respected, even if this is not spelled out in the Constitution.

The House Is Unable To Decide

[Herpai] What would be the situation if a party that had won the elections has shrunk in the meantime, i.e., if it no longer controlled a majority? Who should be asked to serve as the head of government in such instances?

[Kukorelly] This depends on the full picture of parliament, on changes in where representatives are seated in parliament, and in this regard we once again transcend the letter of the Constitution. A big problem exists if changes in the composition of parliament since the elections are great, if the composition of parliament is far from reflecting the relative power conditions that evolved as a result of the elections, from the party ratios that evolved at that time. In the final analysis, a situation like this is created by the will of representatives seated in parliament, and not by the will of voters. New parliamentary elections should indeed be called in situations like this.

[Herpai] To what extent do government crises influence the functioning of parliament?

[Kukorelly] Fatigue is generally characteristic at the end of election cycles; parliament is not likely to deal with the agreed upon agenda if government crises accompany this fatigue. A permanent government crisis would probably render parliamentary work impossible.

[Herpai] What would this mean? Not a single law would be created, or only some insignificant laws would be passed?

[Kukorelly] In terms of decisionmaking this means a situation in which parliament is unable to reach decisions.

[Herpai] If I understand this correctly, procrastination would set in at that point, and this would last until the end of the parliamentary term.

[Kukorelly] Yes, this is what I suggested, and I also meant to say that a situation like this would tend to discredit that institution.

[Herpai] Many believe that the events taking place in the MDF are irreversible, and that the leaders of the MDF, including Prime Minister and Party Chairman Jozsef Antall have already given up the idea of reversing this process, this erosion, this crisis. Could the rift within the MDF create a situation in which Hungarian party politics become fully restructured?

[Agh] Two major trends can be seen in the history of parties. For easier understanding we should call one of these trends "becoming more like the Smallholders," and the other trend "becoming more like the Poles." Becoming more like the Smallholders simply means that whatever has taken place in the extremes within the Smallholders Party is actually taking place in all parties; at this point, we are witnessing this process in the MDF. This trend is rather ripe within the MDF; reports of new fault lines surface daily or hourly, and this is why it is so important to recognize mutual relationships between these groups within the MDF. But there is yet a much greater problem, one that has an impact on the party system as a whole. I call this trend "becoming more like the Poles," which in the end renders the situation impossible; it becomes impossible to form a coalition, simply put: It creates a situation in which the entire parliament is incapable of making decisions. In essence, these groups in parliament become so fragmented that a group in agreement with a coalition partner in one respect becomes a sworn enemy of the same coalition partner in another respect, therefore these coalitions are unable to make decisions and are highly unstable. I do not say that the Hungarian parliament has reached this point, but the threat of such a situation exists, a situation in which the parties, and most notably the coalition parties, become more like the Smallholders; this then leads the Hungarian parliament to the situation experienced in Poland, a situation in which the ruling coalition may continue to exist, or may exist on occasion, but in which parliament suffers from paralysis and becomes a lame duck for a year.

Pondering Survival

[Herpai] Could the disintegration of the MDF, or its becoming more like the Smallholders, result in minority governance? What partners could the MDF count on most in its present situation? The prime minister himself said that he would resign if he had to govern in the minority—i.e., if he would not be assured of the present majority.

[Agh] The prime minister should ponder who became scared when he declared that he would resign if he had to serve in a minority government. I do not believe that he instilled any particular fear in the opposition; I much rather believe that he wanted to scare and unite his own party and its surroundings. Parliamentary mathematics show the hard core of the coalition and a gray layer in the opposition parties consisting of almost 60 representatives. These representatives could vote one way or another, and

regarding certain matters, they could vote with the coalition, while in other matters, such as the supplemental budget issue—and the 1994 budget is probably going to produce clashing views—they would vote against him. It is important to pin this down, because I do not believe that minority governance, as an official formula, can be instituted. I believe that this parliament is already incapable of rendering decisions regarding fundamental issues. Governmental leaders no longer think in terms of fundamental and essential issues.

[Herpai] Are they pondering survival instead?

[Agh] That is exactly what they do at the governmental level, and in party politics they raise questions about the ability of the present ruling coalition parties to form a coalition after the votes are cast, i.e., how they could preserve their ruling position after the elections. The question of preserving the ability to form a coalition has become a far greater issue by now than winning the upcoming election.

* Election Campaign Costs, Party Spending Assessed

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[Article by Mariusz Janicki, Wojciech Markiewicz, and Marcin Meller: "The Price of a Seat"]

[Text] If one wants to be a politician, one has to have money, especially when one is up for elections and needs to show the public one's best sides while carefully whitewashing one's shortcomings. It is not enough to be a genius. One has to make TV appearances, rent convention centers, and print posters and leaflets. To hire a rock band and a national or local beauty queen may be helpful, too. All of that costs money. However, when people hear the catchword "politics," they are rather reluctant to write a contribution check because politics is a risky business in which they may lose more than gain.

The cost of the previous parliamentary elections was approximately 220 billion zlotys [Z]. The tab was picked up by the state. The unofficial estimates suggest that the bill for the approaching elections will be in the range of Z400-420 billion. According to the amended election ordinance, electoral committees will be partly reimbursed after the elections. That means that they will receive approximately Z15 million for each deputy elected to the Sejm. However, to understand the ramifications of that, one has to recall that almost two years ago Peasant Accord spent Z107 million for every seat it got in the Sejm, while the Democratic Left Alliance [SLD] spent Z227 million to gain one seat in the Senate. The least costly mandates in the elections for WAK [Catholic Election Campaign], in which the ZChN [Christian-National Union] was a major party, spent only Z19 million for every seat it gained in the parliament. This time around, the better a party does at the polls, the bigger state subsidy it will receive and, thus, the less it will pay for one parliamentary seat.

However, one has to remember that the largest parties put scores of candidates on their ballots and campaign for all of them, although only some of those will make it to the Sejm. On the basis of the public opinion polls, the major parties may expect to win 50-80 mandates each, which means that they can take loans ranging from approximately Z750 million to Z1.2 billion. Those loans presumably will be paid back, provided the parties in question do not lose badly at the polls. Even the largest parties do not receive more than several dozen million zlotys monthly in the form of membership fees, and even those depend on their members' goodwill.

The election costs will be high. Deputies' and senators' offices, which often served as local branches of their political parties, are being disbanded and their staffs fired. The price of gasoline has risen considerably since the last elections. So have the prices of newsprint and printing, the major electoral tools—for example, the printing of a nice, big poster in color, with a circulation of 1,000 copies, costs Z15-20,000 per copy. It costs

almost Z2 million to make 5,000 black-and-white letter-format leaflets (more than Z4 million to print the same number of colored ones). Thus, if only 5,000 small, colored leaflets were distributed in every electoral district, the electoral committee would have to pay about Z100 million for the operation—and that if there were only one leaflet to distribute. In reality, there may be hundreds of candidates who would use that method of campaigning. That illustrates the scale of election costs.

The electoral ordinance prohibits the parties from accepting contributions from local self-governments, state companies, and state-subsidized enterprises. That ban includes nonmonetary contributions, such as office space, Xerox machines, loudspeakers, vehicles, telephones, and other equipment that could be very useful in an electoral campaign. That does not mean that that law will be complied with. Some parties have already announced that they will break it. The same pertains to the ban on foreign aid. Interestingly, church-owned equipment has been excluded from that ban.

Still, our politicians seem to be in a good mood, probably because of their past experiences. When it came to accounting for the money spent on the last election, it turned out to be a joke. Only 16 out of 46 electoral committees sent their reports to the State Electoral Commission on time. Others not only were late but also made a lot of mistakes. Ten of those reports were subsequently investigated by the Office of Financial Control. As it turned out, Konrad Morawiecki [Fighting Solidarity] received foreign aid, while Solidarity itself obtained contributions from a state-owned company. One electoral committee (that of the Polish Ecological Party) could not be located at all. It still has not sent its financial report, and nothing can be done about it.

Nothing To Worry About

Not that anything would be done if one failed to send in a financial report after the coming elections. Still, spokesmen for the State Electoral Commission are optimistic; they think it would be in the electoral committees' own interests to print their reports in the national dailies not later than three months after the elections (as the ordinance wants), lest the budget subsidies be withheld. Still, those parties that do not gain even one seat in the parliament have nothing to worry about if they fail to submit their reports. Further, if, having been reimbursed from the state budget, the committees have any surplus money, they are supposed to spend it on a "socially useful" goal. In addition, the committees will have to reveal the sources of donations that are higher than 10 average monthly salaries—that is, higher than Z38 million.

One may ask a question here: How do the political parties deal with the money crunch? Here are a few examples.

Andrzej Machowski, secretary general of Democratic Union, does not yet know exactly how much his party's electoral campaign will cost or where the money will

come from. Of course, the party counts on the "members' generosity" and traditional fund-raising activities. "But I am aware of the fact that those sources are not sufficient," says Machowski. In the last election, the Union was financially supported by, among others, Jacek Kuron (Z200 million) and [race driver/automobile dealer] Sobieslaw Zasada (Z100 million).

Seized Safe

Piotr Ikonowicz, leader of the Polish Socialist Party, a party that has not yet had a seat in the parliament, counts on the support of trade unions. "What the liberals pay for, the socialist get for free," he says rather mysteriously. "It is cheaper to work through the union channels." He has in mind not only the OPZZ [All-Polish Trade Unions Agreement] but also some local branches of Solidarity. Ikonowicz does not hide the fact that he wants to use the unions' infrastructure in factories and companies. "We print our leaflets at the bus depot on Inflancka Street [in Warsaw]." The ban on foreign aid is a sensitive issue, he maintains, but the PPS [Polish Socialist Party] is nevertheless going to use the help of its members who live abroad and foreign organizations (for example, the Union of Polish Workers and Artisans in Great Britain). "I will accept that. There is no question about it," emphasizes the PPS leader. About 2,000 members of his party pay their membership fees (1 percent of their incomes). The party does not want any contributions from "the Polish business community in its current shape."

As it turned out, however, Ikonowicz, a proponent of the PPS's alliance with the OPZZ and the SLD, resigned on Sunday. Rumor has it that the party's foreign members, eventual sponsors of its election campaign, opposed such an alliance.

The color TV set and the safe in the office of Edward Kuczera, treasurer of the SdRP [Social Democracy of the Polish Republic], were seized by the bailiff. That supposedly illustrates the party's difficult financial situation. The SLD's previous electoral campaign cost Z4 billion, of which the sum of Z800 million was collected through fund-raising. The party has paid back a loan, obtained from the PKO BP [General Savings Bank-National Bank]. The SLD hopes to win big in the coming elections, which would make it eligible for budgetary subsidies. "The cost of TV ads and posters will be a major item," says Kuczera, "especially the cost of the airtime needed to respond to various cheap attacks against us."

Our conversation at the party's headquarters is interrupted but yet another advertising company salesman, who offers posters and metal badges, Z12,000 apiece, provided at least 12,000 of these badges are ordered. The party's election committee is headed by Wit Majewski (one of the OPZZ leaders) and Jerzy Szmajdzinski. Social Democracy does not count on major contributions from the business community. During the 1991

electoral campaign, the party got Z25 million from M.F. Rakowski and Z60 million from J. Urban.

Door-to-Door Campaign

It is late afternoon on Friday, 11 June. A van is pulling into a courtyard on Nowy Swiat Street in Warsaw. A few men are carrying huge boxes—paper for the posters of the Confederation for an Independent Poland [KPN]. One gets the impression at that party's headquarters that the electoral campaign has already started. There is a feeling in the air that the KPN is going to win big. "At least 100 seats," says Andrzej Chylek, financial plenipotentiary of the KPN's Central Electoral Staff, established on 1 June. "Our dream is to win 231 seats. That would be enough to rule the country, would it not?" he asks.

On Saturday, 5 June, the KPN electoral staffs held a meeting. They made their first decisions about the campaign, which should be as inexpensive as the previous one, asserts Chylek. "We spent only 1 billion in 1991. This year, also, we should spend no more than that (plus something extra for inflation) if no one supports us financially. Of course, we would welcome any additional contributions. In particular, we are counting on the midlevel businessmen, who do not like the current government's economic policy. However, money is not a matter of life or death for us."

The KPN has about Z50 million in its account right now, which came mostly in the form of membership fees from its Sejm deputies. The KPN candidates will also have to contribute to the party's fund. According to Chylek, the KPN will use posters widely in the electoral campaign for financial reasons. His party, after all, has its own printing shops. Equally cheap is the door-to-door campaign, which the KPN began in Chrzanow in Silesia, where the party activists spread the word directly to the electorate. "But this is only the beginning. The real campaign will not start until August. So, at this point, we will not go overboard. We are just signaling that the KPN is ready." Michal Janiszewski is the chief of the KPN's electoral staff. Adam Slomka is over him. Krzysztof Krol is over those two. The whole structure of the KPN's electoral apparatus resembles that of a militarized organization.

During the previous campaign, the electoral staff of the Liberal-Democratic Congress [KLD] was located in an expensive apartment building on Jerozolimskie Avenue in Warsaw. Today the liberals' address is a few blocks away, in a run-down house on Szpitalna Street. Still, a drab stairway leads us to very spacious quarters that include offices and two conference rooms. It is quite busy inside, thanks mostly to the KLD's young activists, dressed in jackets if not three-piece suits.

Liberals Like Tories

Jacek Merkel, chief of the KLD's electoral staff (he was also in charge of Lech Walesa's presidential campaign).

dressed just in a sport shirt for a change, rushes into his party's headquarters, where he is immediately surrounded by his associates.

"On 17 March, we signed an agreement with Saatchii & Saatchii, a British mass-communications company. Political life in Poland is becoming more and more professional, hence our choice. Saatchii & Saatchii had worked out a political profile of the British conservatives. We keep closely in touch with the Tories within the European Democratic Union. It is they who recommended that company. To be sure, we ourselves are going to make the ultimate decisions about our campaign. We are the designers of that operation, while Saatchii & Saatchii will put it in practice. We have been working on the conceptual framework of the future electoral campaign for quite some time. Hence, we do not start from scratch now.

Merkel estimates that the campaign will cost the liberals more than Z10 billion. Right now, they have less than 1 billion in their account. The Liberal Foundation, the purpose of which is to support the Congress, among other things, has similar funds. Once the campaign starts, the fund-raising will begin as well. Fifty percent of the money collected in voivodships is supposed to be transferred to the party headquarters in Warsaw. The candidates for the Sejm and the Senate who campaign under the KLD banner are themselves supposed to contribute to the election fund, although it is not yet known how much. "The amount of Z5 million from each candidate, cited by the press, has been plucked out of the air," says Merkel. "It will all depend on the particular candidate's financial status."

Negotiations with businessmen are under way. However, it is too early to talk about concrete results because the campaign is only in a nascent stage and Polish business has not made a clear-cut decision about its financing of political parties. "I can tell you one thing for sure," says Merkel. "One cannot buy a spot for oneself on our ballot. We will accept money without any strings attached and bona fide." Let us add that Jacek Kozłowski, who has just resigned from the post of director of the government's Press Bureau, is supposed to support Merkel in his endeavors.

Whereas this is the first election campaign for the Movement for the Republic [RdR], the chief of the RdR's electoral campaign, Andrzej Anusz, lived through three of them before, including two victorious (Jacek Kuron's in 1989 and Lech Walesa's in 1990) and one satisfactory (that of Citizens' Accord Centrum in 1991).

However, one does not find much optimism in the RdR headquarters, located at the former site of the Citizens' Committee. "The electoral ordinance requires that our party, which was established during the Sejm's term, collect at least 3,000 signatures in 23 electoral districts," says Anusz. "That is absolutely crucial for us at this stage of the campaign; it is the matter of life or death. While the Constitutional Tribunal is reviewing that provision

of the ordinance, the State Electoral Commission has not yet devised the form necessary to collect those signatures. Therefore, all we can do now is collect written pledges from our sympathizers that they will sign the proper forms once they are finally available."

We Will Give You Money If You Join Center Accord

Anusz estimates that the RdR will spend at least Z5 billion on the campaign. Part of that money will come in the form of membership fees, donations, and candidates' contributions. It is unclear at this juncture how much the business community will contribute. "That problem will be resolved if our party decides to enter a coalition with the PC [Center Accord] and creates a center-right bloc," says Anusz. "There are some businessmen willing to contribute their money, but they say: We will give you money if you join the PC and establish a united bloc."

As a result of the fact that so many crucial issues have not yet been resolved, the RdR still does not have its electoral staff. A small group of volunteers, who have some personal experience in that field, does all the work. "In any case, we will have to decide what kind of campaign we want to run," continues Anusz, "a flashy one in the U.S. style or one more befitting Polish conditions, modest and scaled down. I would oppose the flashy type. Besides, we have to take into account the fact that this is vacation time. We want to establish mobile teams of our activists. There should not be any problem with that; we have almost 10,000 members. Our candidates have to reach the country fairs and single farmers in the fields alike. But they have to do it in a delicate, leisurely manner, without all-out indoctrination. On the other hand, the TV campaign is a different matter. That will be total war," concludes Anusz.

The press will play a less important role in the campaign, in his opinion. "Still, we have thoroughly researched the press market. Therefore, if I had money for only one electoral ad in Warsaw, I would put it in ZYCIE WARSZAWY and not in GAZETA WYBORCZA because the former is read by more people and is preferred by our electorate."

In the same vein, the RdR predicts that it will not use posters as widely as others. In contrast to the situation during previous campaigns, most places where those posters could be displayed are now owned by someone. Therefore, the cost of renting those spaces would make that means of campaigning expensive. Apart from that, "people are turned off by the poster wars." In contrast, the RdR counts on direct-mail campaigning. Andrzej Anusz has positive experience in that regard from the previous campaigns in which he participated: "It is a very effective tool because it reaches the voter directly. It is also cheap, which is a plus for such a poor party like ours."

Aleksander Hall's conservative party counts on contributions from the businessmen and the Tocqueville Foundation. On the other hand, the PC wants to levy a placement tax on its candidates—those listed first on its

ballots would pay Z10 million, while those placed at the bottom would pay Z5 million each. But that will not be enough to pay even for the posters.

High-Risk Elections

According to the election ordinance, a candidate may get a loan to cover the cost of his or her campaign. We have visited the five largest banks, and each gave us the same answer—no one has so far applied for such a loan. If that happens, the applicant will have to meet the same conditions as anyone else applying for a loan, especially as far as collateral is concerned. All of the banks reassured us that they did not care about any particular political party. Hence, they would treat all candidates equally. In addition, four of those banks classified the election-campaign loans as so-called high-risk loans.

As of now, the business community does not seem to be enthusiastic about financing candidates of particular political parties. When we asked one of the richest businessman in Poland whom he would support in the September elections and how much he would contribute to that candidate's electoral fund, his answer can be summed up by the expression "giving him the finger." He did finance a certain party in the previous elections, but that turned out to be a raw deal. Therefore, this year he will not spend even one zloty on that. Witold Zaraska, director of Exbud from Kielce, received a proposition to run for the Sejm on behalf of the Unemployed Party from the region of the Swietokrzyskie Mountains but turned it down.

The Business Center Club [BCC] has decided to neither establish a central electoral fund nor have its own candidates. However, its regional branches will support "people of success." On Tuesday, 6 June, representatives of the largest business organizations in Poland—the BCC, the National Chamber of Commerce, the Club of Christian Entrepreneurs, the Bank of Private Investors, the Business Club, the Polish Capital Club, the Business Forum, and the Employers Union—established the Reform Electoral Forum, which was supposed to support President Lech Walesa's Nonparty Reform Bloc. Then it was announced that the businessmen had not yet decided who to support. That made many political parties feel better. Besides, many businessmen do not belong to those organizations anyway.

Sympathies and Connections

Truthfully, no one knows who is supposed to pay money to the parties to win the elections or why. The pressure groups that would represent particular lobbies are still in a nascent stage. At the same time, most of the parties want to speak on behalf of the entire nation—their

programs are addressed to everyone, from pensioners to big business. That cannot appeal to groups that have clear preferences with regard to economic policy. On the other hand, the business organizations are not monolithic, either; they include not only private entrepreneurs but also managers of the state-owned enterprises, including the coal mines. As a result, it is not easy for them to make a decision to financially support this or that party. Therefore, it seems that such decisions will be influenced more by individual sympathies and private connections than by a rational choice of particular political programs.

The relationship between politics and money is a sensitive issue in many seemingly stable countries. It is certain that, when the money spent on the coming elections is accounted for (or maybe not), many people will be surprised or even shocked. Paradoxically, it is still not clear whether, in our country, there is a rational relationship between the amount of money spent on the electoral campaign and the number of votes gained. The most sophisticated campaign may not accomplish what the cheap (literally) tricks could. Everything is possible, given such an unbalanced societal mood. Therefore, every zloty spent to promote a candidate for parliament is not so much a high-risk investment as a total-risk investment. The only sure thing money guarantees is debts.

It may be that for a long time the weak Polish political parties will not deserve anything better than the state subsidies and small donations from their sympathizers now and then. On the other hand, it may be that people who are really wise and competent will not be elected to the parliament because of a simple lack of money. But we will never know that.

[Box, p 13]

Campaign Funds

- The KLD has slated Z10 billion for the election campaign.
- The RdR intends to spend Z5 billion.
- The KPN wants to spend Z2 billion.

[Box, p 13]

Price List

- An election poster costs Z15,000-20,000 per copy, with a minimum circulation of 5,000 copies.
- Five thousand black-and-white leaflets cost Z2 million.
- Five thousand color leaflets cost Z4 million.
- The Distribution of posters in all electoral districts (5,000 posters per district) will cost Z100 million.

*** Senator's Revelations About December 1989 Revolution**

93BA1142A Bucharest *TINERETUL LIBER* in Romanian 24, 25, 28, 29 May 93

[Interview in four installments with Senator Sergiu Nicolaescu by Cristian Oprea and Aurel Perva; place and date not given: "Senator Sergiu Nicolaescu's Revelations About the Questions Still Surrounding the December Revolution"]

[24 May p 2]

[Text] [Oprea] Senator Sergiu Nicolaescu, in last week's session of the Senate, you shed some more light, through the report of the commission which you head, the one set up to inquire into the events of December 1989, on the murky matter of the events of three years ago. Nevertheless, you still have not completely finished your revelations. For example, please name some cases of conspiracy, and make public the names of some of those who did the shooting. Why did you not do all these things at the Senate plenum?

[Nicolaescu] I could not make these things public because the situation is still under investigation. This is because we cannot take the place of the Prosecutor's Office or the police, who are the authorities entitled to investigate and to take the appropriate measures. I did do this, however, in the case of General Milea's death, and of the deaths of Generals Nuta and Mihalea, which, as you know, are two different cases.

[Oprea] With respect to the December 1989 "case" proper, what can you say?

[Nicolaescu] I actually worked with specialists from the Ministry of the Interior, the Ministry of National Defense, and the Prosecutor's Office; and under our supervision this inquiry was pursued to its conclusion. However, it is impossible for us, the commission, to do this, when we are talking about an entire country and more than 1,000 dead and wounded. The role of the commission is to turn dossiers inside out or to ask the Prosecutor's Office to reopen some cases. Sometimes the Prosecutor's Office takes notice *ex officio*, for example, in the Brasov case.

[Oprea] Has the Prosecutor's Office finished investigating any cases and entered them into the dockets of the courts?

[Nicolaescu] These cases were investigated by the Military Prosecutor's Office, an institution which, under the conditions for entrance into the European Council, has been brought into question. Besides their current concerns, the military prosecutors also have these cases from the December 1989 revolution. They collected extraordinary material, which we too have used. After a period during which I worked a great deal with revolutionaries and the press, I realized that I needed professionals; I found them in the Prosecutor's Office, the M.I. [Interior Ministry], and the M.Ap.N. [Ministry of National

Defense]. Our commission really gave the impetus to the work of the Prosecutor's Office. On our part, we demanded insistently that the guilty be found and exposed at any cost.

[Oprea] Are we to understand that you actually produced some pieces of evidence for the Prosecutor's Office, evidence on the basis of which they reopened some dossiers?

[Nicolaescu] Yes, absolutely! They did reactivate the cases. But I should mention that the Prosecutor's Office has a well-formulated procedure of its own according to which it investigates cases. If they do not have good evidence, even if they feel they are truly on the right track, they have to close the case. Consequently, we brought in evidence.

[Oprea] How was it possible for you to find this evidence?

[Nicolaescu] We have our own interrogation style, too. We ask the people we are talking with to tell us everything they know. There were many citizens whom we asked why they had not told the Prosecutor's Office what they told us. They gave us a simple answer: "Because they did not ask us..." Also, it is one thing to be questioned by the Prosecutor's Office, and another thing to be questioned by us, without any written declaration and without being recorded; plus you are talking with a well-known person, Sergiu Nicolaescu, if I do say so myself.

I am convinced that what this commission has done is of exceptional and unique substance. I believe that my popularity, too, counted for something in this inquiry.

[Oprea] You declared in front of the Senate plenum that there had been an attempted coup d'etat. Is that true?

[Nicolaescu] Yes, after Ceausescu's flight on December 22, after 1200 hours, a coup d'etat was attempted. All the coup plotters wanted was a change within the echelons of the communist power structure. But the masses of people thwarted that aim. On their level, too, there was a military-style diversion plan!

[Oprea] Did your basic profession help you to better pinpoint certain moments which others found difficult to grasp, some of the moments of the revolution?

[Nicolaescu] Yes, of course. My basic profession made me call for the setting up of this commission.

[Oprea] Can we say at present that the report prepared up to now by the commission you head represents a work which could be entitled "The Revolution, Minute by Minute"?

[Nicolaescu] Yes, really: "The Revolution, Minute by Minute and..."—take note—"Man by Man"! This is a secret which I am divulging now for the first time. This is how we carried out the inquiry: man by man, and the events minute by minute. There were certain trips and

certain positions taken by some people. We were able to understand perfectly whom each of these people was working for!

[Oprea] What can you say to us about the inquiry and the truth?

[Nicolaescu] The greatest blow has been struck in favor of inquiry and truth. The action which the Senate is about to take will strike a great blow in favor of the truth about December 1989. The extremist communist wing is against the commission. Another extremist wing, of the right, and, to my great astonishment, the opposition are also against the commission.

[25 May p 7]

[Text] [TINERETUL LIBER] Mr. Sergiu Nicolaescu, it appears that concerning the first part of the revolution, during what we may call the repressive phase, things are much clearer, compared with what happened after 22 December.

[Nicolaescu] I consider that what happened in Timisoara was a revolt; it begins on the 15th to 16th and concludes after a certain fashion on the 18th; it resumes on the 21st to 22d. The Revolution proper starts on the morning of the 22d in Bucharest, when masses of workers and citizens took to the streets and shouted: "Down with Communism." The word "revolution" means, as you know very well, a radical change of a sociopolitical system. Now, no one, only the uneducated, can claim that there was no revolution in Romania. You can say that it was a "velvet" revolution, or you can say that it was a...cotton one, but you cannot say any more that a revolution, which claimed the lives of some one thousand people, was a "cotton" revolution. Consequently, in contrast with those who also had a "revolution" by means of the change and transformation which took place, we had a bloody revolution.

[TINERETUL LIBER] Why do the mysteries deepen after 22 December?

[Nicolaescu] Here matters can be separated into a number of aspects. At one time on the 22d, we have the flight of Ceausescu; between Ceausescu's flight and the evening of the 22d, there is a power vacuum during which the country had no leader, the army withdrew to its units, the *Securitate* had in a way disbanded, and the Ministry of the Interior no longer had a head or leaders. Thus, there was a vacuum during which, if we had not had the Army, and a well-trained one, perhaps the fate of the entire country would have been different. At 1830 hours, the shooting broke out in Palace Square and the radio-electronic war began around the country's borders. When I say "borders" I mean all of them, from all sides; let us not forget that we were still in the Warsaw Pact and still had some obligations. As I was saying, at 1830, and this much is clear, the shooting broke out in this Square.

[TINERETUL LIBER] This coincidence says a lot...

[Nicolaescu] A tremendous amount. It means that there was a connection between what was happening within our borders and without. I am inclined to say that foreign intervention played an extremely important role in Romania. In fact, there are three theories being circulated. One says, so that other people can be blamed, that the Army placed some special DIA [Domestic Antiterrorism Service?] troops who were to shoot at the Army's own soldiers. This version has appeared in some books; there are around three books supporting this version.

There is another version according to which the *Securitate* arranged everything. Therefore, the guilty party is Ceausescu, who believed that everything happening was strictly foreign intervention, since he could not believe that the population was against him, although he began to be persuaded of the people's opposition as soon as he left here by helicopter. You know that as soon as the helicopter left here, he asked to go to the "23 August" factory, and at first the helicopter did start off in that direction. Only after that did he go somewhere else, when he had seen the crowd of people. There were not just a thousand, there were not a hundred or two hundred thousand, but there were millions against him.

There is a third version, according to which there was no revolution, nor was there foreign intervention; rather, there was a coup d'etat carried out by those presently in power. And those presently in power are guilty of the thousand-something deaths. Well anyway, this is one of the versions; it remains for us to discuss all of them.

[TINERETUL LIBER] Let us take them one by one. I would like you to tell us which of these versions you lean toward.

[Nicolaescu] Well, this last version, the one postulating a coup d'etat, claims that there was no revolution. From the very beginning, you realize that this theory is fundamentally mistaken. This is because it is obvious that today we are in a democracy; it is obvious that Ceausescu's sociopolitical communism was destroyed and swept from power, and that the country has embarked on an entirely new road. Therefore, the revolution did occur.

However, there really was an attempted coup d'etat. The coup was attempted right in this building, in fact, 20 meters from where we are right now (at former Central Committee headquarters). As I was saying, there was a coup attempt on the afternoon of the 22d. What is meant by a "coup d'etat"? A coup d'etat means that within the framework of the same system one group carries out a strike against another. But the system remains the same. So, in our case, a group of communists were carrying out a coup in order to change Ceausescu and his followers and to put another group, still communists, into power; it does not matter what liberties these people would have granted us—somewhat more than under Ceausescu. Therefore, this was indeed a coup d'etat. So I personally do not even consider it worth discussing the theory that

says that the new government came into power through a coup d'etat; this idea seem to me to be naive. It is endorsed sometimes even by intellectuals, but also just as much by partisan interests. However, it is no accident that these same people will not acknowledge that there was foreign intervention. And that leads me to believe that these people are being manipulated, that they are being used by someone else. Of course, if you are against the present regime, this theory is the most convenient for you to try to use: that the present government just faked a transformation. We can see with our own eyes, you can see from day to day, that this theory is not valid. But the denial of the foreign intervention makes me believe that the people espousing this theory are actually seeking to further cover up the foreign intervention.

This is because—and here I come to the question which you posed to me—I lean toward saying that foreign intervention played an extremely important role in Romania. But all the scenarios drawn up by the foreign interventionists were overturned by the revolution, by the great mass of people who took to the streets: the workers, the citizens who took to the streets, the revolutionaries. So everything was overturned by the masses, by the true revolution. This is the theory that I personally support.

Foreign countries played a very important role in setting the date in December, a role played out by the *Securitate* through their abandoning first off of Ceausescu. By doing this, the *Securitate* put the Army in a difficult position, just as at a soccer match when the players lead their opponents forward so that they will be left in an offside position. We see something like that happening in December. The *Securitate* wanted the Army to enter into an offside position, but it is obvious that the *Securitate* betrayed Ceausescu.

I want to make sure from the start that you do not misunderstand me. When I say "the *Securitate*," I make a big mistake. We cannot generalize. Here again, many people from the press make the same mistake. You can see that I sometimes make the same mistake when I say "the *Securitate*". The *Securitate* was made up of different services and people who acted in completely different ways. Some of them stood right by our side, with the revolution, right with us, and they took the same risks as we did. Others kept aloof; while yet others, attempting to take advantage of the moment, wanted to demonstrate their loyalty and, just possibly, to derive benefits from that loyalty if Ceausescu had returned or had come out the winner. When we went out on the morning of the 22d, not for one moment did we have the feeling that we were victorious; it was quite the contrary. We did not feel that way on the evening of the 22d, either. You are hearing this from a man who was out on the street the whole time. If someone says he was out there on the street, his claim is hard to prove. But in my case, there are tens of thousands of people who can say where I was. Therefore, as someone who was out there on the street, I can tell you that people acted in different ways. We have clear evidence that at the University

there was shooting from the Dunarea apartment building. I saw it with my own eyes. During the phase of the 21st-22d, there is shooting from up on top of the Dunarea. So here is where we must ask: Who could have been shooting from up there?

[28 May p 3]

[Text] [Perva] Who could have been the people shooting from the Dunarea apartment building?

[Nicolaiescu] They could have been foreign agents aiming to spark a civil war. I say this because in Romania there was an attempt to provoke a civil war. I maintain that there were attempts to start two civil wars, in fact: one between the Army and the civilian population, and the other between the Army and the *Securitate*.

In the first part, you see, all of the events in Timisoara, and the events in Bucharest up to the death of Milea mark the boundary when the Army relaxes its posture and, almost on its own account, falls back into its units. We do not find a clear order for the Army's withdrawal until after 1230 to 1300, when the Army was already in its units. So, the Army starts withdrawing from the city center at 0930-1000, a move which allowed the crowd to get as far as here, the C.C. [Central Committee], while meanwhile the *Securitate* had disappeared several minutes before that. So there you have details which in fact, however, not only show the behavior and way of thinking of those who had begun operating, but probably also show some of the orders given. As I was saying earlier, there was firing of diversionary shots, there was shooting in this square, there was shooting during the night of the 21st to the 22d; but the Army also did some shooting. Still, you should imagine that the people who fired shots were the exceptions, because a real burst of gunfire from a single platoon would have resulted in hundreds of deaths in those places. In reality, therefore, maybe some soldiers or officers fired shots. I am excluding those who were trying to demonstrate their loyalty, or frightened ones who might have let off cartridges. Maybe some did fire intentionally, but it is also possible that armed Party activists could have fired, as well as armed *Securitate* officers.

[Perva] Regarding the Party activists who possessed weapons, has anyone made a rigorous accounting of the cartridges from the supplies?

[Nicolaiescu] There are places where the ground has not been filled in; in other words, it is possible to presume that Party activists were also there. But let us not forget that a majority of the more prominent of these activists, or of pensioners retired from one Ministry or another, had hunting rifles with bullets and with telescopic sights; and some of these people also acted during this revolution, so we have cases of this kind also.

[Perva] You are referring to the so-called terrorist phase, after 22 December...

[Nicolaescu] That is the so-called terrorist part. At the same time, there is absolutely no doubt that forces working for the KGB started operating: These could have been from both the M.Ap.N. and from the M.I., but they could also have come from civilian life. So these forces also started operating.

[Perva] Did these forces take part in operations during both phases, both the outbreak of events and the terrorist phase?

[Nicolaescu] During all the phases. Without any question the KGB operated during all of the phases. I do not doubt for a moment that all the espionage services had their lackeys meddling in the Romanian revolution, to a greater or lesser extent. The offer that was made at one point is well known: I was at the Television when I heard with my own ears that 98 or 89 French antiterrorists were at the Romanian border, and if we needed them they were ready to enter the country to give us a helping hand. We refused this help. What business did these 89 or 98 antiterrorists have on the Romanian border, at Oradea? What were they doing there and how did they get there? We appreciate the willingness to help us with no questions asked, but it is a sure thing that those people were there. This time I am talking about certainties. The Warsaw Pact countries' armies were prepared to intervene in Romania. These are sure things. The radio-electronic actions against the country's territory are likewise sure things. Researching these things took a lot of our time. And, if you like, I will lend you until tomorrow this material about the radio-electronic war; it will really shake you up.

Now, under these conditions, you cannot rush into saying some things. Certainly, I am already saying a great deal: that the KGB played a role. I also once said something else that few people noticed: that I am sure that the KGB walked hand in hand with the CIA this time, and that it was no accident that December was chosen for Romania. Under these circumstances, it does not seem to me to be accidental that the Romanian revolution and the American attack on Panama coincided. Look at the manipulation of the mass media around the Romanian revolution and the exaggerating that went on: These provided a perfect cover for the Panama operation. It would be naive for us to think that that was an accident.

So here we see that all of these put end to end form a ring which starts to gather together all the bits of information leading toward our finding out the truth, and which will lead us also to the services who made so bold as to have some organized and armed groups to intervene as saboteurs in December, and which will lead us to an attempt to reconstruct the connections of those who were working for the KGB, which are obvious enough from the measures that were taken. You see, a great many people were captured, a great many suspected of having been terrorists. Most of the wounded were wounded by mistake, but it is not possible that everything was a mistake. What I am telling you—and I am not giving

anything away—what I am telling you are things which I am reminding you of, I am refreshing your memory of them, I think that you too are convinced that out of the 1,033 dead there must be at least one percent who were from the opposing camp.

I completely reject the idea that we were so stupid that we were killing one another. Some people are actually attempting to assert that idea, too: that we fired at one another. But there is evidence that that is not how it was. We cannot by ourselves call ourselves on the telephone and create an obvious diversion; and we cannot by ourselves carry on a radio-electronic war against the country. Here we would have to have someone helping us, or helping those inside the country. Therefore, the sabotage in Romania was directed from the outside. That does not mean that there were not some scenarios involved. And the best proof is the finale and where things ended up! Everything is overturned by the crowd. The coup attempt is thwarted by the crowd of 500-600,000, maybe there were a million people who, here in this square, started booing when they recognized the names of former communists who were trying to seize power and speak to the crowd. Consequently, from that moment the coup attempt fails, and, of course, it ends pathetically: The instant the shots rang out they were like rabbits looking for a place to run.

[Perva] I will pose a logical question to you: If the "terrorist" shots started immediately after the failure of the communist putsch you were talking about, was there any connection between the people who were shooting and the putschists?

[Nicolaescu] I will remind you of some things you already know. You have done nothing else that to state exactly what I have to say. Let me remind you of some facts. The moment I entered a certain room (in the former C.C.—editorial note) and said, "We have to get out of here," addressing myself at that moment only to the people I had come with from the Television, some people and then others asked me, with even a certain indignation, "But why?" At that moment—I am confessing this to you today and making this public—I lied when I said, "The building is mined!" No, I did not like the formula of the people in that room. It was a communist formula which was attempting a coup d'etat, a change of leadership, but still a communist leadership, even though some of them were well-intentioned.

[Perva] You actually appeared in this state on a cassette recorded then. You were also demanding a government of the young revolutionaries...

[Nicolaescu] That cassette is extremely interesting, at the point when I say to them: "You have to leave." I went out of that room. Without any doubt this intervention of mine created some uneasiness, maybe even waylaid their plans a little. I went out into the hallway; I was with this group of young revolutionaries, some of them very young, others stuntmen; we were already armed. At that moment the shooting started. Therefore, what you have

deduced by logic is a certainty for me. It is a certainty that my intervention had not been convenient for them. What else proves this? The fact that this was just a diversionary tactic and not an attack; in other words, it was an attempt to create a diversion by firing some shots so that all the people who had been booing would run away and leave the comrades to continue forming a government.

[29 May p 3]

speculations according to which the advent of Mr. Ion Iliescu as leader was acceptable to all forces, including the communist putschists...

[Nicolaescu] Acceptable, but not here (in the C.C.). This is because at that moment, he was no longer playing first fiddle. When he came in with the old sharks, he was no longer playing first fiddle. So, in a way, he acted with courage, with the groups who had sprung up at the Television; it was no accident that the group tried to get in touch with the Army; but the group from here at the C.C. tried to do the same thing. In your opinion, what was most attacked point in Bucharest?

[Perva] The Television building.

[Nicolaescu] Why? Why not the Central Committee? Here we see that this contradicts those who said that Iliescu must have suited the scenarios. No, those who attacked the Television were not for Iliescu; they were defending another group. I am absolutely convinced that groups that were organized and led were operating. And here is another piece of evidence: Why were the telephones working? Why were the Television and Radio functioning?

[Perva] And what was the real aim there?

[Nicolaescu] That is a difficult one, very difficult. You can only guess, but you do not have any proof. There is no way you can prove it, but it is certain that they kept in touch with each other by telephone, that they created chaos by means of the Radio and Television, and that they allowed diversions, and that they chose that time to attack. There were not a lot of them because, in my opinion, no more than 60-70 people maximum attacked the Television, that is, the Television building as such. But the Television was attacked, the Ministry of National Defense was encircled, and so to a certain extent was this place (the former C.C.), and the Radio building a little, too. Diversions were also created at the airport. But the only place where the aim was to carry out an obvious attack, with direct onslaughts, with determined people who did actually die, was the Television. I saw two people falling, out of those who attacked us. So, if you write about this, tell them that I saw them very well; and at the wall between the Television and the courtyard of the American school there were three individuals, at No. 2 Zambaccian. I saw them with my own eyes. They were professionals; they were shooting, and they were communicating by means of flashlight signals, in the evening exactly when the shooting started. So these people did exist, but among them there are also

others, and that misleads us. For example, a pensioner who shoots from a rooftop, kills a soldier, goes back into the house and returns his gun to its usual place, and now goes out to buy bread, he goes to the market, he is a pensioner. So did he receive a telephone call telling him to do that, or did he do it out of an excess of zeal, or did he just take a shot in the shooting gallery? However it may have happened, he is a murderer! But you cannot catch him; it is hard to catch him. The case I am talking about does exist!

[Perva] In the ranks of the machinery of repression, alongside the general plan (the celebrated 2,600), each unit had its own plan for crisis situations, drawn up in detail. Did you also investigate these plans?

[Nicolaescu] I want to tell you that such plans had been drawn up. I read all of the official ones. So we know the official plans and even the special ones. But now I am going to tell you something very important: Nothing could have happened without the knowledge of the Chief Inspector of the DSS [Department of State Security]. Therefore, what was our mistake? Now I am going to say this for the first time: The mistake was in dissolving the *Securitate*. Some people were retired immediately, instead of being asked to make reports and to write down everything they had done and everything their people might have done. I have to ask myself whether this matter might not have been managed this way on purpose. This question occurs to me because at the present time there are a great many things which I can not reconstruct because those who should have had the relevant documents no longer have them. The documents are or are not at the SRI. The people there know them or they do not know them, and in this way, quite unruffled, they left for home with the secrets in question. I will say it again: This does not mean that we can generalize and that we can speak of everyone. We cannot speak of everyone. On the contrary, it is very difficult for us to have such power of discernment as to succeed in separating the groups which took our side, next to us, from certain people who stayed neutral, biding their time, waiting to see what might happen.

[Perva] What forces do you think attacked the Television?

[Nicolaescu] I do not think that more than two buses full of fighters operated at the Television. In fact, I saw the buses on the morning of the 22d, so their effective strength did not exceed 80 men. However, I do not reject the idea that there was intervention by some foreigners who were on the country's territory, who had the possibility of possessing arms, and who in that way, from an excess of zeal, from the friendship they felt for Ceausescu, also helped to complicate matters. But it is important that we talk about those people who created the diversion in an organized manner, of those who executed orders they received, clear orders, the ones who knew telephone numbers. I am talking about the persons who knew the telephone number for unit X and Y, for place Z, etc., who could say: "Watch out, because a *Securitate*

unit is approaching you," as well as the opposite: "Look out, because a unit which wants to wipe you out is approaching," and so forth.

[Perva] There were enough persons, officers, known to have given curious orders such as those...

[Nicolaiescu] Curious things of that nature have come out of our inquiry. There is a general who tells a commanding officer—I will not mention the place; the right moment has not yet come—he tells him: "Look, if some helicopters with a star on them come, do not open fire." Of course, he was referring to helicopters with the red star. Imagine a general saying such a thing at a moment like that, while another general was saying, "We do not need the Russians' help!"

[Perva] This means that you have information, but that...things need to be delved into further; the way they appear right now, they seem promising...

[Nicolaiescu] You see yourself that we are at that stage. And because of that, I do not thank my colleagues in the Senate who have pretty much thrown a monkey wrench into the works.

[Perva] The dispute with Mr. Ticu Dumitrescu?

[Nicolaiescu] It is a false dispute, it is a manipulation. It is not a matter of two people. First of all, some Senators let themselves be manipulated in order to stop a very serious process of inquiry; the majority judge according to their temperament and are not aware of the way in which this inquiry was organized. My opinion is that we do not need one trial, nor do we need ten. We need to understand what happened, so that we can learn for the future what we need to be on our guard against.

[Perva] Are you not afraid, are you not frightened? You are treading on some dangerous ground!

[Nicolaiescu] All I really know is that on 25 December 1989 there was an assault on my house. You can see the bullet holes. If the 25 December attempt was organized, that of 17 June was nothing serious, because if someone really wants to do something they can do it without any problem. So you cannot guard against a serious attempt. Therefore, what this means is that it is not the specialists who would be able to do me in easily who want to do so. I will tell you again: It is not persons that interest me, it is the mechanism. I want to understand the mechanism so that we can guard against it. There are persons who perhaps executed orders. I grant extenuating circumstances when the case calls for it. We have to keep in mind that the army found itself in a very special situation.

*** Stolojan's Handling of Transition Period Viewed**
93BA1119A Bucharest *TINERETUL LIBER* in
Romanian 3 Jun 93 p 4

[Article by Mircea Cosea: "Mr. Stolojan Is both Correct and Incorrect"]

[Text] In an article published last fall I said that Mr. Stolojan's move through Romania's transition period had somewhat of a romantic, erotic air of the knights' ballads of the Middle Ages. At that time, I compared Mr. Stolojan to a lonely knight who had left for the Crusades, stirred by faith in the strictness of economic calculation and the logic of economic phenomena. I further said that although he did not return from the Crusades a victor, Mr. Stolojan maintained the knightly aura of a person who did not reject his faith and the rules of the holy war. His recent trip through Bucharest gave me the opportunity to note that Mr. Stolojan has remained the same crusader for reform, although he is no longer allowed to prove his mastery of economic arms in his native land. Yet Mr. Stolojan at full speed set off firecrackers that could produce confusion among his countrymen. He said: "We do not need an increase in production carried out on current industrial structures because this leads to a rise in foreign debt and to Romania's poverty. Whoever wants this kind of growth in production would only be reproducing the results of the last 10-15 years."

Mr. Stolojan is right. And I am among those who maintain that a continuing comparison with the 1989 level of industrial production as well as the desire to reach this level are absolutely useless, precisely due to the inadequate structure of that period. Of course, it would be senseless to propose that we repeat that structure. I have been asserting for a long time that one of the factors explaining the drop in Romania's industrial production is also the change in the structure of both production as well as of the market, evaluating this drop as proof of the attempt to adapt supply to demand. In other words, if industrial production dropped 40 percent, this means that this percentage represents the production Romania's current market no longer accepts, either for reasons of quality, reasons of cost or other reasons which may appear on a market during liberalization. From this viewpoint, it is normal not to attempt to increase production merely for the sake of producing stock. As Mr. Stolojan also has said, this would bring an increase in the country's debt and poverty.

Unfortunately, the situation is not that simple and cannot be presented as peremptorily as Mr. Stolojan presented it. The big problem of Romania's transition, unlike that of the Czech Republic or of Hungary, is that of balancing the rate of reorganization with the growth rate of industrial production. Unlike the countries mentioned above, Romania cannot allow the reorganization rate to surpass the net growth rate of industrial production, since our country does not have available the reserve of hard currency needed for imports and monetary stabilization; it does not have available the self-sufficiency of agricultural food consumption; it still has not succeeded in controlling inflation; it has too large a number of retired people compared with the productive population; it is not succeeding in establishing a budget to satisfy all the needs; it cannot support an exhaustive program of social assistance. Etc., etc., etc. Romania cannot allow a prolonged stagnation of industrial production while awaiting changes in structure. Both must

be done on the fly and must be correlated and correlated continually so that the growth in production becomes a factor and a source of reorganization.

Here I have the impression that Mr. Stolojan is wrong. He is wrong if he thinks that Romania can allow itself the luxury of waiting, but he also is wrong if he does not think that the current industrial economic structures are somehow different from those of 10-15 years ago. Many of us Romanians do not feel that the structures have changed and that they are in a continuing process of change. We do not have too much faith in the Romanian economic organ. We are wrong. There is proof that this organ perhaps is adapting to the new conditions better than was forecast. Statistical data from the first four months of this year show that for the first time since 1989 there is a positive trend at the macroeconomic level, caused by the superimposed effects of the following phenomena: the existence of a positive rate of industrial production, growth in hourly labor productivity, increase in the degree of utilization of production, reduction of unemployment by about 11,000, the establishment of more than 45,000 new private companies with 130,000 jobs and acceleration of the entry of foreign capital.

I do not intend to present these elements as proof of a real economic resurgence, but clearly they are signs that we are on the move. They are signs which could revive our hope. I am convinced that Stolojan the Romanian knows this and is hoping along with us. That is why I feel that in the desire to once again draw attention to the danger of growth for growth's sake and production for the sake of stock he has very deliberately assumed the risk of being blamed of making a mistake.

Parliament Members on Corruption-Related Issues

93BA1121A Bucharest BARICADA in Romanian
1 Jun 93 pp 16-17

[Article by Florian Bichir: "Corruption, Thy Name Is...Power"]

[Text] The scourge that is ravaging Romania bears the name "Corruption." It can finally be identified. Reactions cannot wait. The organs of government declare that they are waging a terrible battle against this phenomenon.... Some Romanian MP's affirm that they will fight to the bitter end to eradicate it.... The country's president considers the exposure by the press a direct attack on the government team, at the same time that members of the current government are implicated in various shady affairs.

The Financial Guard is silent! The Economic Police is silent! The SRI [Romanian Intelligence Service] is silent!

The Parliament declares itself against corruption, but measures are still awaited, their application impeded by the president of Romania himself.

Question 1: What is your position and that of your party on corruption in Romania?

Question 2: Why do you think the Prosecutor General's office was not officially informed in the case of General Gheorghe Florica?

Alexandru Paleologu (PAC [Civic Alliance Party])

"An energetic and uncompromising attitude. I doubt that it will be done. Positive results cannot be achieved since in the matter of corruption everyone is interested in not quarreling with someone or other. The most urgent matter is for the government to be summoned to take an energetic and resounding approach to the problem of the Romanians of Tiraspol, which is the sole problem at the moment. For not to do so is clearly an antipatriotic approach, treasonous to the country. This must be said and repeated. Nothing else for the time being."

Ivan Sabin (PL [Liberal Party])

"I have come out many times against corruption. I signed the declaration when the commission was set up on the 'Roman problem.' Thus I have raised this problem many times. I even raised the sugar problem in the government. In my last petition I asked the government for an explanation of the case of General Florica. This is our task, as the opposition, to catch them, and prosecute them. That's all there is to it!

"In my opinion, the Prosecutor's Office should have made an effort to inform itself. They have not because the Prosecutor's Office still has the old mentality, namely, servility to those in power. That is, we have the old, communist reflexes of obeying those in power. We do not yet have separation of powers.

"This commission that we want to establish has to be a prosecutor-supervisory commission; whether I will carry out an investigation or not remains to be seen because I am not qualified to do investigations, but the Prosecutor's Office is."

Emil Tocaci (PAC)

"A lot has been said about this problem. There is too much talk and too little being done. I am even afraid that this talking is intended to mask the lack of action. The qualified agencies, the Prosecutor's Office, the Ministry of Justice, consequently, should do their duty. Thus far we have not seen it done. The Parliamentary commission will not itself investigate the phenomenon of corruption. But it will be able to gather information to be able, once it is acquainted with the facts, to apply the necessary pressure to the forces that must maintain order in society, which have not been successful in doing it or do not want to do it."

Constantin Ticu Dumitrescu (PNTCD [National Peasant Christian Democratic Party])

"Larceny and corruption can exist anywhere. For that reason they cannot be looked for in a particular party, but rather in people who dishonestly, using their positions and resources, would enrich themselves over night on the backs of others. I, in fact, tried to give this new commission this direction. I make no distinction between corruption and abuse. To my mind no distinction can be made between these two terms. They are intertwined and fused together at any given moment. I heard General Florica and, up till now, have not said anything. 'I cannot come forward with dangerous statements. I am convinced that in large part what General Florica affirms is in the realm of reality, but what General Florica lacks is evidence of legal value. Now, at the present time, those who did what they did have known how to create all the conditions, to work in mafia-fashion so as not leave traces—other than ones that are too small and too subtle—so that Florica will lose this battle.

"Why was the Prosecutor's Office not informed? As the English proverb has it: 'That is the question.' It is a question that has eaten at me a great deal. 'It has eaten at me since Draghici's departure. For three years it has eaten at me. I was the vice president of the Committee of 16 of the CPUN [Provisional National Unity Council] period, for investigating human rights abuses. I conducted several investigations of the events of 21-22 December. I had a group of young men, a large number of whom have left the country because they were subjected to powerful pressure. Of course all those files have disappeared from the committee headed by Radu Ciuceanu. Who had the interest and to whom Radu Ciuceanu gave them is hard to know. In this investigation I came upon some terrorist tracks. The tracks were blocked without ado by the Prosecutor's Office. That was when I first began to have questions about the Prosecutor's Office.

"Regarding the blocking of Mr. Florica by Radu Campeanu, I can say that a week ago the attorney Ionescu, at a BBC roundtable, pressed by Traian Ungureanu, spoke of the case of 'Gregorio Rizo,' one of the cases of the old legislature. The gentleman stated that he could not do anything since he was subjected to pressure. Forced to reveal the source of this pressure, he said that it had to do with Radu Ciuceanu, a member of the Romanian Parliament. Thus some truths are beginning to tie together, and it is not just words but facts (!!!).

"I will make a disclosure: I asked the Committee to put together a working group to combat corruption. I had a meeting with the General Prosecutor, the Minister of Internal Affairs and the head of the government control body, Mr. Honcescu. It was concluded that those gentlemen would send us the very important cases so that we could follow, since we could not investigate, the outcome of those cases. We took these things to the Committee,

but that sort of data is not what we need. Corruption spreads like an octopus, but the forces in a position to act are not doing their duty."

Gheorghe Dumitrascu (FDSN [Democratic National Salvation Front])

"No matter how society might be, no matter the stage it is in, corruption will exist. There will always be people in trouble with the law! There are two factors in corruption: the person who corrupts and the one who lets himself be corrupted, not one person, as some might think. I do not know the motives of those who launched this petard, because it is a question of a petard, since we decided long ago, as far back as the election campaign, to strike wherever we could. Not in the sense of stopping corruption, since corruption is a social phenomenon that cannot be stopped by anything. But to fight where we have the tools, because we also lack tools. Legislation, that is.

"Now then, this idea of General Florica's has become part of the policy of one of the opposition parties, that wants, exclusively, to incriminate the FDSN government. I do not put my hand in the fire for anyone. It is not out of the question that among the people responsible from the executive, there exist people who gave dishonest testimony. Thus this is a smokescreen covering up everything that existed before 1992. It is said straight out that this campaign concerns corruption after 1992 and concerns people in power today or implicated in the activity of power today.

"The Prosecutor's Office was not informed, as proof that changes were made there, too, changes that the Financial Guard also made. I believe that in a world in which the chief accepts the idea of being someone's man, it is evident that he, too, has 'his people.' But if he has 'his people,' it means that he also accepts the idea of being someone's man. For anyone who wants to understand, I made very clear references to political and executive leaders, in connection with which I have received some more signals. We ourselves, when we were in the FSN [National Salvation Front], and did not understand a lot of things, believed that honesty was our political capital and that through it we would succeed in revitalizing Romania. But things have not worked out that way.

I believe that the pre-October 1992 government wants to get out of the case, throwing everything onto the present government. A government that did not have the time, no matter how corrupt it might have been, to do it."

Karoly Ferenc Szabo (UDMR [Democratic Union of Hungarians in Romania])

"Here we have a matter of defective functioning of the mechanism of justice, which is a typical problem in a transition period. Investigative agencies display inertia in the sense that they are not putting into practice the total autonomy of judicial power. In other words, even if the principle of the separation of powers is not expressly stipulated in the Constitution, it must be applied as such.

"On the other hand, the majority of magistrates have not known how to deal with new attitudes and viewpoints, nor have they been able to become new people. Consequently some of them function as automatons, or, more directly, the Prosecutor's Office is waiting for signals. I do not want to say from where.

"The persistence of old habits, to move on a case or not, is the main reason for the stagnation of the investigation of events, not just of corruption. No matter how constitutionally the magistrates may have been appointed, they cannot avoid the suspicion that from the moment of their appointment, they had to become the people of the powers that be. It is not a suspicion but a coincidence of arguments. But from this we should not draw the conclusion that there exists a legislative void.

"Excuse me for putting matters in such a horrible way, but if we applied Ceausescu's laws, the situation would be different."

Severin Discusses Need To Fight Corruption

93P20201A Bucharest *TINERETUL LIBER* in
Romanian 25 Jun 93 p 3

[Article by Adrian Severin: "Corruption—Reality and Diversion"]

[Text] A phantom is haunting Romania: corruption! Everyone is talking about corruption. No one can sleep because of it. Some are earning a living off of it. Many believe that if corruption were eliminated, we would get rid of all of our problems and life in Romania would become a paradise.

The fact that there is no clear or all-encompassing definition of corruption does not seem to bother anyone. After all "Corruption is when...someone steals; someone abuses a woman, breaks into our homes, slanders Parliament, or violates logic and good sense; someone gets rich; someone becomes poor; someone offers a bribe; someone takes a bribe; someone gets involved in influence-peddling; someone gains an unfair advantage; someone makes stupid jokes; and so forth." In the words of Caragiale: "What a world! What a world! My God, it's enough to make you sick!"

There is no doubt that our society, which is moving from dictatorship to democracy, from command economy to market economy, from totalitarianism to freedom, is, in other words, evolving into one culture from another. Therefore, Romanian society is experiencing the unfortunate phenomenon of corruption. This corruption has its roots in all kinds of shortages, that is to say, in economic misery, and finds a fertile climate in the moral quagmire inherited from communism as well as from the phanariots. Corruption is also rooted in the bureaucratic centralism we "owe" to our "Latin-Byzantine" spirit as well as to the nomenklaturist restauration exemplified in the current government. Until such causes are neutralized and the seeds of corruption are eliminated, the phenomenon we are talking about will continue to be a

reality which is liable to poison us. Any remedy for corruption that deals only with its effects is merely a stopgap measure which, by its administrative nature, keeps the causes for corruption intact in the short run, while fertilizing the climate for it in the long run. The police, Prosecutor's Office, courts, Financial Guard, all kinds of inspectorates and inspectors are to corruption what aspirin is to a viral infection: for a while, it brings down the fever, but it does not kill the virus and even weakens the organism's ability to fight the illness.

But, corruption is also a diversion. Primarily, the fight against corruption, in the form of a witch hunt, is offered to the hungry people instead of a circus by a government which is incapable of even giving them bread. It is suggested to us that our problems—polarizing inflation, mass unemployment with no end in sight, blockages of all kinds (economic, financial, decisionmaking, judicial, etc.)—are not caused by the government's mistakes, but by the corruption which is ready to ambush us at every turn. So, the government is the good guy, and civil servants and economic agents are the bad guys!

On the other hand, this diversion is aimed at getting popular support to scale back individual freedoms. No one would agree to wire tapping, preventive physical surveillance, searches without warrants, arbitrary arrests, or censorship of the press. Without a doubt there will be many who will approve of such measures the moment they are described as ways to fight corruption, which has become a national obsession.

And no less significant is the fact that such a diversion is intended to isolate Romania within the international arena. Of course, a foreign investor will not come to a country which has the reputation of being corrupt, nor is he likely to warm up to the prospects of being subjected to constant investigation and inspection. And if businessmen do not come to our country, nor will politicians.

The phantom of corruption is also put to work in discrediting political adversaries according to the principle: "If you defame and slander long enough, something is bound to stick!" Once the idea takes root in the common consciousness that there are two kinds of corrupt people, those who were caught and who have yet to be caught, how can you not believe it when you are told that a certain prime minister sold out the country in order to increase his personal wealth? No one bothers to check the facts, while denials are met with a dismissive sneer: "Don't bother, we know what you are up to!"

Finally, the most serious matter is that this diversion is designed to discredit and block reform, because efforts are being made to identify corruption with the very concept of a market economy. In this tainted and perverse vision, business speculation is the fundamental mechanism of corruption, while the principal agent of corruption is the investor of any kind, but especially the private and foreign investor. The desire to turn a profit is criminal, while success is proof of crime.

Fortunately, corruption as a reality and corruption as a diversion can be fought with similar methods: the vigorous and accelerated continuation of reform, straightforwardly and without half-measures. As it will be some time before we see the fruits of reform, it makes sense for us to sound the alarm against those

claiming falsely to be incorruptible who, under the pretext of wanting to kill the bad insects (the parasites of corruption) with the utmost efficiency, use insecticides which destroy the good insects (the agents of economic and political democracy) along with the bad ones.

* Slovak Dailies Evaluate IMF Deal

* Mutual Compromise

93CH0737A Bratislava *NARODNA OBRODA* in Slovak
16 Jun 93 pp 1-2

[Article by Igor Zvach: "Dollars Are Flowing in From the IMF"]

[Text] "The overall situation in the Slovak economy is currently much better than it was during the first visit of the mission from the International Monetary Fund to the SR [Slovak Republic] in February of this year."

Those words were heard at the start of yesterday's press conference on the occasion of the completion of the stay of the IMF mission in the SR. They were spoken by the head of the IMF mission, Mr. Emile Zervoudakis, shortly after the minister of finance, Julius Toth, and the vice governor of the NBS [National Bank of Slovakia], Marian Jusko, signed a declaration of the SR's Government on economic policy. That will become, in the words of Julius Toth, the basis for close relations of Slovakia to the IMF and to other international financial institutes.

The Search for Compromises

From the beginning, working out the document was not easy. Many question marks hung over it from the previous visit of the mission in Slovakia in February of this year. Nonetheless, as Mr. Zervoudakis stated, in the end it really turned out that the situation in Slovakia today inspires more confidence. While, at the end of February, the SR's hard-currency reserves had dropped sharply, today their stabilization has been achieved at almost the level of the beginning of January of this year. The Slovak Government has succeeded through rigorous procedures in preventing uncontrolled inflation as well. That has also led the members of the IMF to, for example, not insist so strictly on such conditions as the so-called floating exchange rate for the Slovak currency.

Money and Conditions

The result of the discussions is an agreement prepared by the IMF and the Government of the SR to provide the initial credit (one could say it is a bridging loan) in the amount of \$90 million. The payback term of that loan is three to five years, with an interest rate of approximately 6 percent. That should be followed by the signing of an agreement on the so-called standby credit, also for \$90 million, at the same interest rate but with a payback period of four to 10 years. The agreement prepared on the first phase of the credit should now be approved within 10 days by the executive director of the IMF and then by the IMF board of directors. The entire process should be completed by the end of July of this year, when we should be able to receive the credit. The subsequent (standby) credit will come into consideration in the course of the following six months.

The Import Surcharge Is Temporary

The IMF expressed its agreement to the imposition of an import surcharge as a temporary measure that will avoid the preparation and implementation of a range of other measures. As far as the deficit in the SR's state budget is concerned, it cannot exceed the sum of approximately 15 billion korunas [Sk] at the end of the year. Since it has been fluctuating on the edge of Sk11 billion for some time on a monthly basis of projection, the SR Government is taking many actions in the area of expenditures that already are ensuring that it will be decreased by approximately Sk4-5 billion. All departments will simply have to accomplish savings.

* Unavoidable Restrictions

93CH0737B Bratislava *REPUBLIKA* in Slovak
17 Jun 93 p 5

[Article by Sona Motusova: "A Compromise on the Loans"]

[Text] The political fiction of the British author Cris Mullin talks about the hypothetical possibility that the Labor Party might win the elections in Britain sometime at the end of the 1980's. The prime minister would be a person of truly leftist orientation (at the time the book came out, the fall of communism was still a pious wish) and that would understandably create nervousness in a number of places, such as in the White House, on Wall Street, and in the centers of NATO and the EC. But no one can stop the British prime minister. At the government's discussions, the ministers call each other "comrade," a broad social campaign is set in action, and preparations are made for nuclear disarmament. No threats help to stop that until a group of taciturn and frowning men from the International Monetary Fund show up. And that is the beginning of the end for the left-wing prime minister.

Mullin's fiction has obviously lost a lot of its contemporary nature, but not in the passages that talk about the vulnerability of any kind of system right in the area of the economy. And, in the end, as we know, that is where communism failed. Not enough democracy and the absence of a market economy. In the fall of communism, it was therefore implicit that a return to those values was being demanded. Thus, we are constructing capitalism, which naturally cannot take place without reentering the international structures. We must comply with certain demands in order to be acceptable to the business and financial world. That is where the IMF comes into play.

Several weeks ago, its envoys visited Slovakia. They had their own data, and they intended to have discussions with our politicians and financial representatives on the basis of that data. However, the two sides were talking about different things, and, thus, the IMF mission slammed the door behind themselves and left Bratislava feeling offended. It appeared that we were not complying....

The visit of our prime minister, V. Meciar, to the United States was extraordinarily important in that process. The gentlemen from the IMF apologized in the end (which is not the habit of that organization) for starting off with incorrect data. The origin of that data remains a mystery. In the final results, that meant a new visit to Slovakia by the IMF, and its outcome is the fact that the SR [Slovak Republic] approved the restrictive recommendations in the expenditures portion of the state budget. Six laws in the field of labor, social affairs, and the family must also be changed.

It is true that the IMF does not order but only recommends, and even those recommendations are the result of compromise. Primarily, that means for us that the doors will be open for loans. As early as the end of July, the first \$90 million are supposed to be coming in, and there will be another \$90 million six months later. We can also draw on the IMF's new credit system.

We have to do something in return for all of this, however. The expenditures portion of the state budget and the appointments to the departments of labor, social affairs, and the family clearly indicate that the social area will be hit particularly hard. The measures are directed at the area of the minimum standard of living, the minimum-wage rate, and the payment of social benefits and family benefits, but also, for example, at the indexing of wages and old-age pensions. That undoubtedly will affect a broad spectrum of the population and not in a positive way. Moreover, in time it will be necessary to pay back those loans....

* Market Realities

93CH0737C Bratislava SLOVENSKY VYCHOD in
Slovak 18 Jun 93 p 3

[Article by Juraj Hrabko: "IMF Guided by Market Realities"]

[Text] The Council of the National Bank of Slovakia is having discussions today in Kosice. It is not difficult to guess that, at the meeting, its representatives will "get into the details" of Tuesday's commitment by the SR [Slovak Republic] Government, which was imposed by the International Monetary Fund. We should add that the journalists have not yet succeeded in learning the wording of that obligation. There is certainly a reason for that. It was very necessary for the governing movement to first "sell" the public on what it has itself called a great success.

It is necessary that we get to better know the role of the IMF and the individual procedures it uses. Slovakia has a chance to become (after approval by the IMF) a so called Systemic Transformation Facility. The credit that has been provided is, to put it simply, for the aid of postcommunist countries, and they can draw on it up to the level of 50 percent of their own membership contribution. Over and above that type of credit, there is also

the so-called standby agreement, which the IMF has already signed with, for example, Hungary and the Czech Republic [CR].

It is hard to blame the IMF for protectionism or anti-Slovak sentiments. The laws of the marketplace are unforgiving. We can thus compare the success of the SR Government and that of the CR. Slovakia is rated below standard, and that means, among other things, also a lower influx of foreign capital. Closely connected to that is social security, the growth in unemployment, and such matters.

The IMF did not change its attitude from that of February 1993. It backed off only from the "floating" exchange rate for the koruna, but it is persisting that the rate be brought more in line with reality. To put it in layman's terms, the NBS [National Bank of Slovakia] today is probably deciding to devalue the Slovak koruna.

Even though that is not a very pleasant prospect, we know that the other side of devaluation is revaluation. And, in this matter, no one will prevent us from making adjustments, at least in the case where they are substantiated by real results.

We must recognize, however, that the level of devaluation will be directly proportional to the incompetence of the governmental movement in this area. The HZDS [Movement for a Democratic Slovakia] strayed from the path of economic transformation, and restrictions will therefore be necessary to a greater extent.

* Slovak Right's Attempts To Unite Viewed

93CH0736B Bratislava NARODNA OBRODA in Slovak
16 Jun 93 p 3

[Commentary by Rastislav Toth: "Crystallization on the Right Wing? The Slovak Political Spectrum and the Nonparliamentary Right"]

[Text] During the 1990 election period, it was the left that occupied the weakest position among the successful political currents. It took two years, and, after another election, many critics see the right missing in the parliament, if, of course, we do not regard everything in opposition to Meciar and the Weiss crowd as the right. It truly seems to be that way because many citizens are trying to found a party of the right. Until now, those are little more than discussion clubs, lacking public prestige.

The seven existing parties of that type may be divided into two groups: one formed by parties of ambitious politicians and the other being parties of dissatisfied entrepreneurs.

It appears that they are launching their activities from the less logical end, from an effort at self-assertion, leaders who have managed to convert governing subjects (Public Against Violence, democrats) into political history are trying for the second or even the third time.

Far more logical seem to be the efforts of dissatisfied entrepreneurs to form a party that would at last declare a political method for starting off a prosperous economy instead of the well-worn song about the inevitability of a permanent economic pain. That is something that can be talked about ad infinitum only by people who treat the economy like a toy (the state sector), whereas the private businessman has no interest in a coming collapse (which would pull him down, too).

The new small parties of right-wing politicians have one feature in common: They did not support Slovak independence. The Party of Conservative Democrats, the right-oriented remnant of the Democratic Party, and the "older" Hungarian Civic Party did not favor the breakup of the CSFR and sentimentally recall the time when their then-existing party organizations formed the government coalition—according to their own words, a very successful one. They jointly repeat concerns for political democracy, and the economy interests them only as a subject for criticizing the government.

So far, the only ones who have sensed the essence of the right's usefulness are a few dozen entrepreneurs. It is an attempt unique in the world by private businessmen to establish their own party. Can they be successful? If they are not joined by politicians, probably not. But the economic nondevelopment desperately needs such a party. The grotesque efforts of the HZDS [Movement for a Democratic Slovakia], the SNS [Slovak National Party], the KDH [Christian Democratic Movement], and now also the SDL [Party of the Democratic Left] to suddenly "alternate" as social as well as right-wing parties have immobilized the after-the-start development of a Slovak independent economy.

The right greatly lacks a political personality, a forceful Slovak Adenauer or a de Gaulle. Building on failed politicians of the recent past is a solution born out of necessity but should not become a permanent state of affairs. The discovery of a personality would lead to a coalescing of the miniparties. If the right wants to be more acceptable than the present parliamentary parties, it must avoid rallying around unsuccessful politicians and the infiltration by collaborators of the StB [State Security] and also beware of the economic mafia. Such a party would offer a chance for converting the current struggle for power positions into a competition for the right to organize national prosperity.

* Situation of Slovak Airlines Described

93CH0738A Bratislava SLOVENSKY VYCHOD in
Slovak 18 Jun 93 p 3

[Interview with Margita Valkova, a representative of Czechoslovak Airlines (CSA), by L. Kerekes in Kosice; date not given: "It Is Still True That Flying CSA Means Flying OK"]

[Text] Slovak transport aviation has been balanced on the edge of the abyss for a long time. Only a small step separates it from total collapse. The reason for that state

is the lack of foresight in the process of dividing up the former federation and its common property, which included the CSA [Czechoslovak Airlines], the only transport aviation company and one that had, over several decades, earned itself a good reputation everywhere in the world.

The tendency to break things up and the shortsightedness of the managers led to the creation of our own national transportation line, instead of a supranational aviation company. They rationalized that with the idea that the small companies existing on the territory of the Slovak Republic were not prepared to bear the weight of the burden that civil air transport represents. The unforeseen development of events literally overtook them, and they have not yet been able to catch up and come to their senses. The logical consequence of all of the above factors and of less obvious facts, as well, is that Tatra Air, Inc. and the management of Tatra Air Group, Inc., at the moment they were supposed to take over that important post, failed on all counts. The sudden decline in the quality of services provided, the increase in airline ticket prices, and the limiting of air service between the individual regions of Slovakia led to an irreversible disruption of air transportation on the territory of the SR [Slovak Republic] and also had the final consequence of isolating Slovakia from the surrounding world. We would rather not even speak of the enormous financial losses the directors of the Slovak airlines are recording.

It was those current questions and those about the future of air transportation on the territory of the Slovak Republic that were the subject of our interview with the business representative of the CSA in Kosice, Mrs. Margita Valkova.

[Kerekes] What is your opinion of the decision that the CSA make room for a new national transportation line, which the Tatra air aviation company is supposed to become, and how have your passengers reacted to that in general?

[Valkova] It is outside my sphere of authority to judge the correctness of those decisions, whether they are the decisions of the SR Government, the CSA, Tatra Air, or anyone else. From the time the CSA aircraft were replaced by Tatra Air planes on the domestic routes, the level of services provided in air transportation dropped significantly. That was emphatically underscored by the decrease in customers regularly or at least occasionally utilizing the services of the air transporters. We even ran into cases where they confused us—that is, the CSA—with the Tatra Air company. And I consider that as well to be one of the reasons for the drop in the number of travelers. The situation was substantially further complicated by another step by Tatra Air. Complete disruption of air traffic means a loss of trustworthiness for a fledgling company such as Tatra Air, and that is also a significant handicap for the future. The worst thing is that the traveling public bears the greatest costs in all of this.

[Kerekes] Under normal circumstances, that would just throw the business to your company....

[Valkova] Under normal conditions, that is certainly how it would be. Despite everything, however, the CSA has not ceased to operate on the territory of Slovakia. That stems from several mutual agreements. According to the flight schedule in effect, we are providing two flights a day between Kosice and Prague. On Mondays and Tuesdays, we transport passengers on the route from Prague through Bratislava to Kosice, and on Wednesdays there is a morning flight that goes from Kosice through Bratislava and Prague to Chicago.

It is worth mentioning that all of our routes have established connections to routes going abroad. The CSA also provides them. When all is said and done, since 1 January 1993, all of our flights have really been international ones.

[Kerekes] You mentioned the good connections of your routes to foreign countries. To which countries can one travel on the CSA?

[Valkova] The CSA flies to all of the major cities in more than 50 countries of the world, from Helsinki to Singapore. In the summer months, the CSA will fly six times a week to the United States and three times a week to Canada, as well. I believe that those routes will attract mainly those residents of eastern Slovakia who have relatives overseas.

[Kerekes] The summer tourist season is in full swing. It is generally known that, at this time, global airline companies literally bend over backwards to offer various discounts and perks, the goal of which is to lure the greatest possible number of customers. Is the CSA also preparing something like that?

[Valkova] The CSA wants to contribute its share, and I think our customers will be satisfied. We have introduced a new program that is called the "OK Plus." It benefits mainly those customers who utilize our services regularly. In essence, one has to fly 50,000 miles on the regular routes of the CSA. Anyone who meets the established limit receives a number of advantages—for example, a free ticket for a distance of 16,000 miles to a destination of your choice. But that is not all. The holder of an "OK Plus" certificate will be able to make use of other benefits, as well, for two years—such as the right to priority boarding on CSA flights, the right to being upgraded to a better class of seating than what was paid for, free access to the CSA lounge at the airport in Prague, and special rates for cars from Budget Rent-a-Car throughout the world. It is not without interest that the miles driven in autos rented from them are also counted in the overall total for the 50,000 miles.

Another new feature is the 5-plus-1 program, where it is enough for a passenger to fly with CSA five times in business class on European routes, and the sixth ticket is free. However, more detailed information for those who are interested should be obtained from our employees in the CSA offices in the larger countries in which we have representation.

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Note by SV [SLOVENSKY VYCHOD]: The fact that the CSA has not pulled entirely out of the Slovak market, despite all of its efforts, does not provide travelers with the possibility of getting to Bratislava or the Tatras on any day they choose. The existing routes, with their intermediate landings in Bratislava, can at best satisfy passengers traveling as tourists. The crisis in Slovak aviation thus persists, and it is only a question of time until even our wise government becomes aware of it.

Federal

Draft Law on Army of Yugoslavia Adopted

LD1407223993 Belgrade TANJUG Domestic Service in Serbo-Croatian 1945 GMT 14 Jul 93

[Excerpt] Belgrade, 14 July (TANJUG)—The Committee for Defense and Security of the Chamber of Citizens of the Federal Republic of Yugoslavia Assembly this evening adopted the draft law on the Army of Yugoslavia, with several amendments.

The committee members discussed every article of the law during the meeting this afternoon. The draft law, which contains over 360 articles, comprises legal regulations hitherto covered by six separate federal laws.

The deputies adopted an amendment envisaging that conscripts join the Army at the age of 21, which had been proposed by the Supreme Defense Council.

Most amendments relate to the articles where there was some overlapping of the powers of the federal defense minister and the chief of general staff of the Army of Yugoslavia.

The Socialist Party of Serbia, which initiated the separation of the two functions, said that the dual powers must be resolved in such a way that the law defines that the chief of the general staff resolves all issues relating to the army, and the federal defense minister deals with issues relating to the ministry. [passage omitted]

Macedonia

* Reorganization of Economic Chamber Considered

93BA1051B Skopje VECER in Macedonian 13 May 93 pp 8-9

[Article by B. Stojanov: "Economic Agents in Macedonia Get More Modern and Efficient Association: A Chamber System With a European Image"]

[Text] *The Economic Chamber of Macedonia is being reorganized after the example of the chambers of West European countries, but above all on the Austrian model, which is judged to be the best-suited for the needs of the Macedonian economy. The efficiency and functional suitability of the chamber agencies and services will be greatly improved, but an important requirement is closer cooperation between the economy and government agencies. The chamber must also be enabled to take legislative initiatives in the sphere of economic problems.*

The electoral activities in the Economic Chamber of Macedonia during the first months of the year represent exclusively formal fulfillment of the legal obligation of replacement of the personnel of agencies and bodies every four years. From the point of view of content these activities were supplemented by essential changes made

for the purpose of functional and organizational restructuring of the chamber in keeping with its new role as defender of the interests of the economy of the country. And now, in view of the profound systemic transformations and following the example of actions taken around the world, the chamber's organizations now have their headquarters in national territory and enjoy greater independence and responsibility and a plurality of forms of capital ownership, as an association with greatly expanded authority and powers of intervention.

The first cause of modification of the chamber system is the sharp increase in the number of economic agents who, according to a law passed two and a half years ago, must be members of the chamber. According to the situation at the beginning of last month, nearly 33,000 firms had been registered, about one-half of which are active economic agents. In order to be incorporated more completely and functionally into the chamber system, the 19 assemblies constituting the representatives of all the members of the respective groupings and operating in plenary sessions must form associations as an independent organizational form, with bodies of their own represented by meetings and executive committees. Several years ago the chamber as a whole had around 2,000 members, and now there are almost as many in each of the associations.

Regional Chambers

For the sake of greater efficiency of management and operation of the chamber system, changes in the territorial organization of the system have become imperative. Territorial committees have been set up in all communities, with the exception of Skopje, where the Municipal Economic Chamber continues to exist and performs the function of ensuring more direct contacts with businesses in accordance with the provisions of the statute of the National Chamber. However, it continues to enjoy independent status such as is accorded the other associations.

Positive Experience

The territorial reorganization will proceed, according to the general secretary of the Economic Chamber of Macedonia, Ljuico Kovcegariski, with the goal of securing many additional functions for the chamber: authorized public functions, data management activities, issue of various permits and certificates, and so forth, so as to bring the chamber closer to economic agents. More efficient ministering to their needs will be made possible by authorization and qualification of the territorial committees to assume a larger portion of these obligations, at least on the basis of grouping by regions. Then there will be no need for an officer who, for example, is the only administrative official of a small domestic business, to travel to Skopje possibly even every day to obtain every document needed. Such a concept will probably necessitate the formation of regional chambers, in accordance with the experience of other countries.

[Box, p 9]

Pluralism

"The public has been coping with the existence of a plurality of chambers since owners of private companies, otherwise registered as associations of citizens, have declared themselves to be a chamber of private capital. But by law these firms are members of the Economic Chamber

of Macedonia, and increasingly private owners are actively participating in the activities of chamber bodies. Their incentive for participation is represented by establishment of contacts and business relations with public sector firms and joint ventures. Consequently, aside from the fact that, at least for the time being, it is not permitted by law, economic chamber pluralism does in fact not exist." Kovchegarski states this as an unqualified assertion.

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